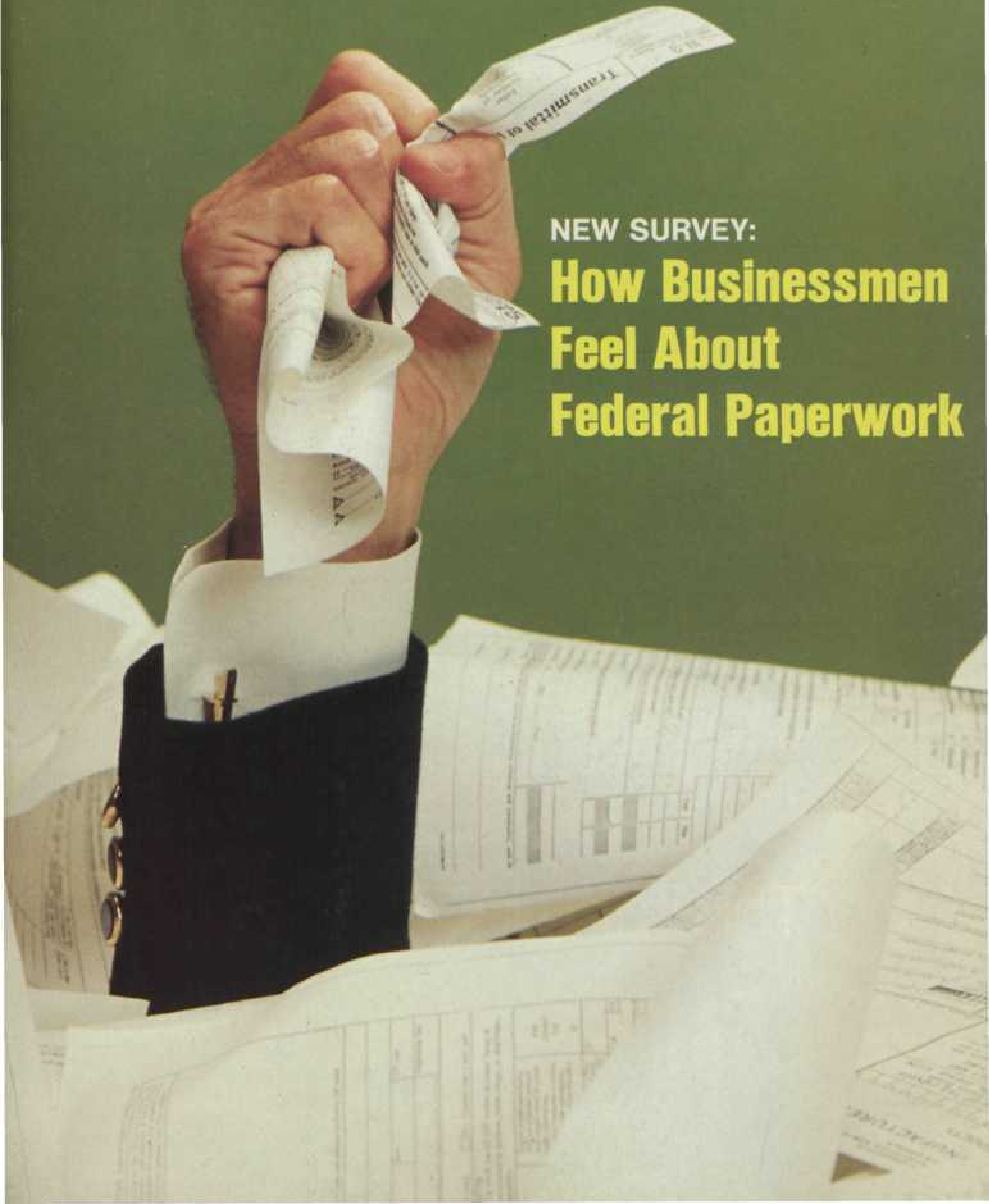
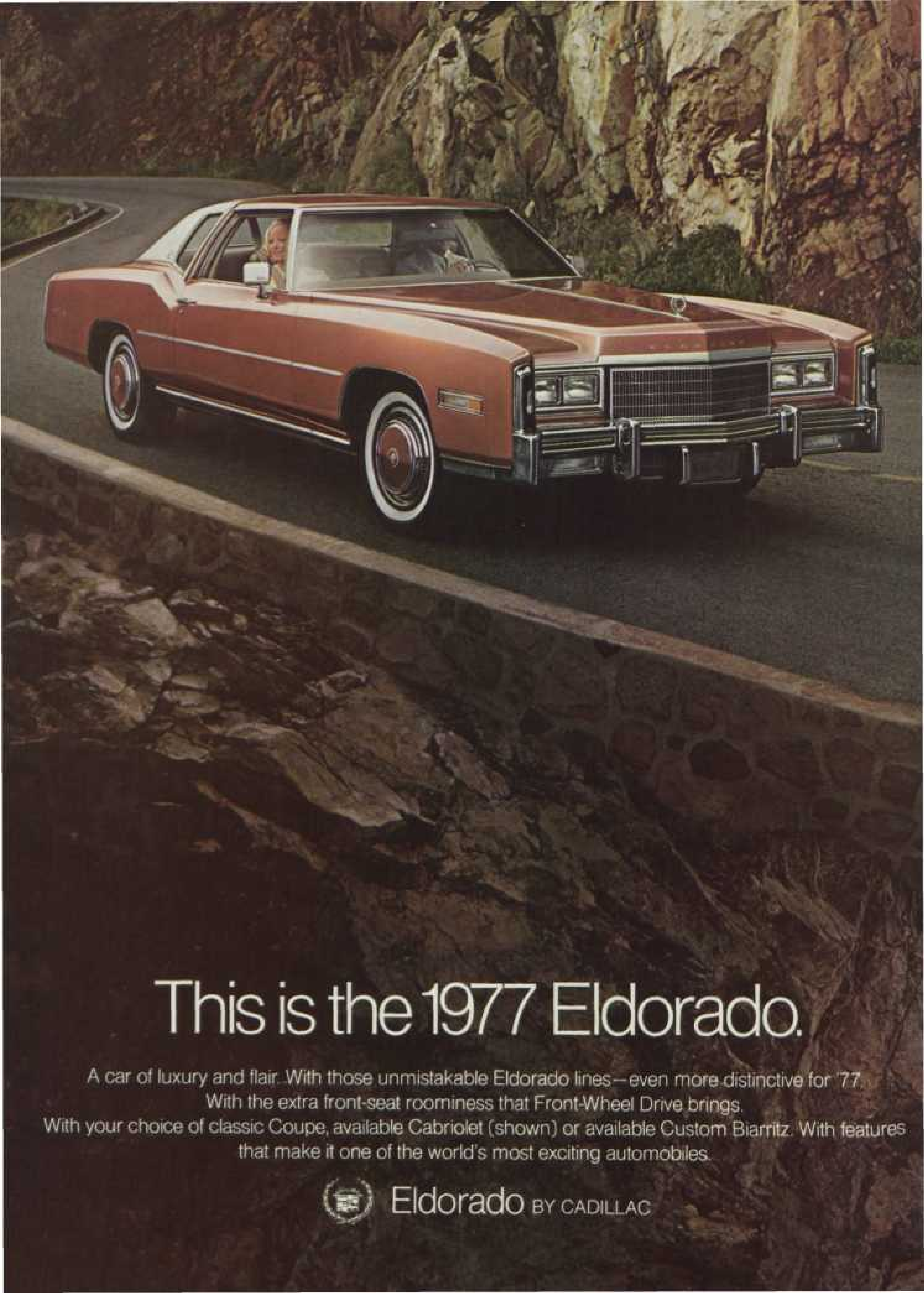
OCTOBER 1976

Nation's Business



NEW SURVEY:

How Businessmen Feel About Federal Paperwork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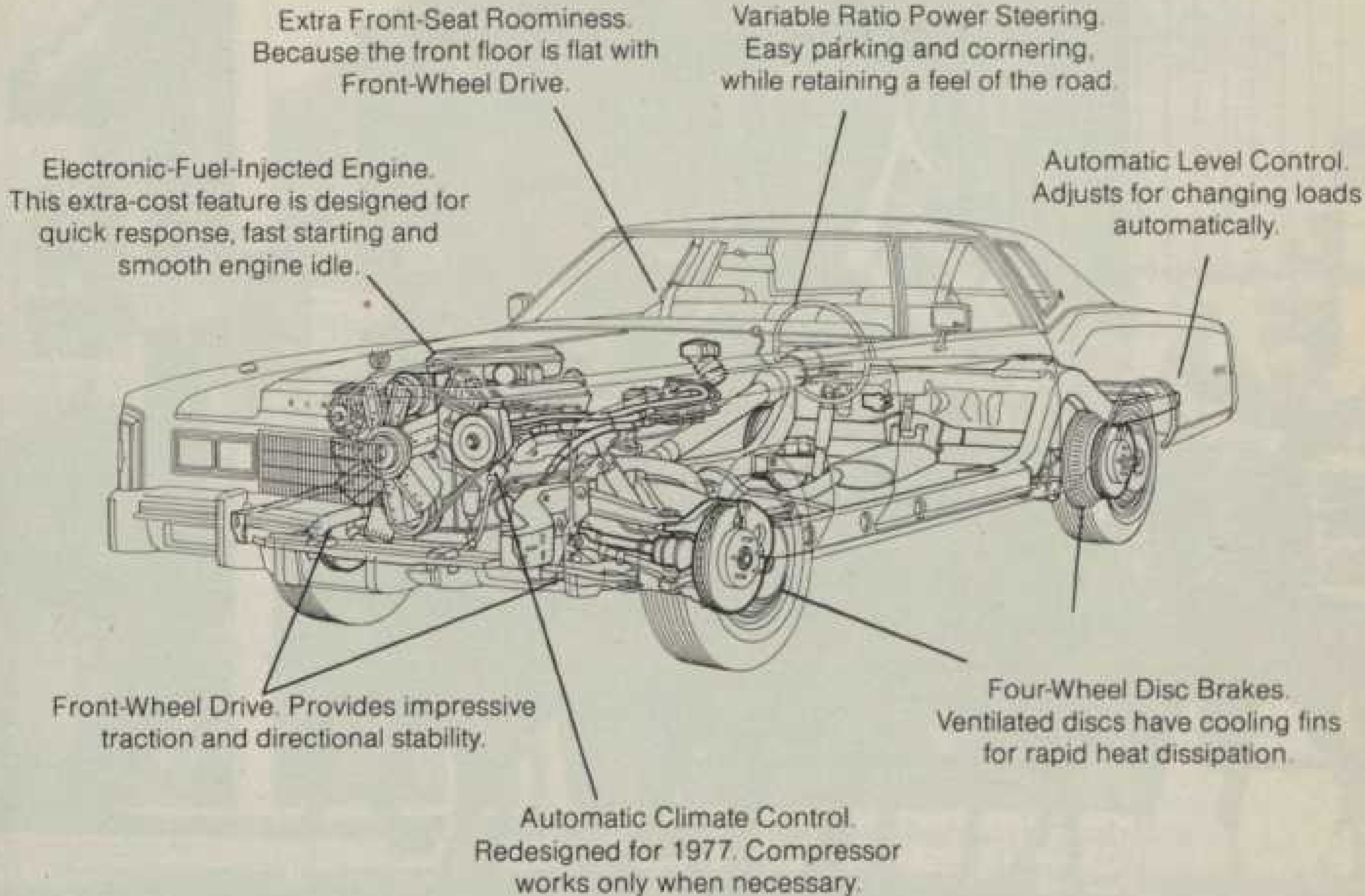

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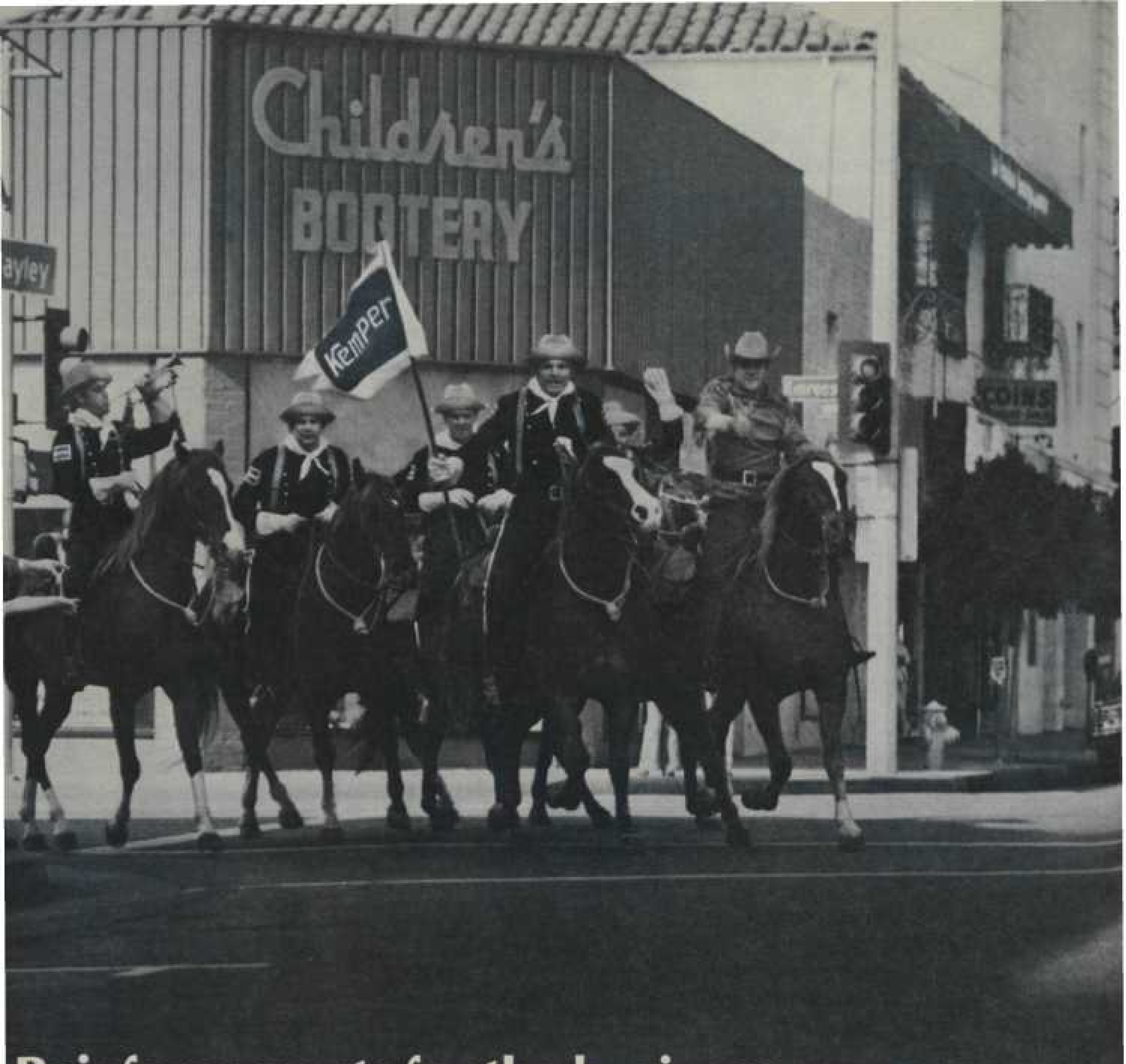

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Nation's Business

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By JOHN COSTELLO
Associate Editor

Why More Managers Are Refusing Transfers

Ten times more U. S. firms report executives refusing transfers in 1975 than in 1974.

A recent survey of 617 major American businesses, made for Ticor Relocation Management Co., shows that 42 percent of the companies had managers turn down moves last year. In 1974, only four percent of the companies reported refusals.

"At one time, an up-and-coming executive threatened to abort his career if he turned down a move," says Charles D. Atwood, president of Ticor. "He knew he risked being shunted off the main line onto a sidetrack. Now, apparently, more and more are willing to take that chance."

The percentage of managers who insist on staying put is still small, the survey shows. Last year, only about eight percent said no when offered a transfer.

But the percentage is believed to be up sharply from prior years.

Why did executives turn down these offers, usually a step up the corporate ladder?

"There are new factors that must be considered by corporations," Mr. Atwood says. "Among those factors are the so-called quality of life a location offers and conflicting husband-wife career paths.

"Refusals are not a problem yet, but they may be in the future."

Here are the ten reasons given most often by managers who declined a shift to a new location:

Personal reasons	25
Prefer present location to new	19
New location undesirable	12
Family resistance	12
Negative geographic factors at new location	9
Cost of moving	9
High living costs at new location	6
Education needs of children	5
Unattractive job offer	4
Spouse's employment	3

"Although personal reasons rank first," Mr. Atwood says, "three reasons relating to the location itself—not as good as present one, dislike the new location, or it has negative geographic factors—add up to 40 percent of the refusals."

Few executives, the Ticor study shows, refused transfers to the Southwest or the West Coast.

Records Washington Wants You to Keep

Let us say you are a filbert handler, a broker or dealer in filberts.

You know that you must keep records of shelled and in-shell filberts received and disposed of.

But for how long?

Here is the right answer: "At least two years after end of marketing policy year in which transaction occurred."

That is what the Filbert Control Board says. And the board has the last word.

Of course, the Raisin Administrative Committee and the Olive Administrative Committee have their own sets of record-keeping rules. And so on, ad infinitum.

A myriad of federal agencies set rules on what records businessmen must keep. These agencies run from A to W, Agriculture Department to Water Resources Council.

One agency or another affects almost every kind of business known to man: Airlines and automakers, brewers and brazers, cotton ginners and crib manufacturers, exporters

and importers, mine owners and motor carriers, oyster packers and peanut shellers, pilots and poultry weighers, railroads and smelters, steel mills and stockyards, underwriters and wholesalers.

So the chances are good that your business comes under some agency's supervision. If it does, you are also in the record-keeping business.

Thoughtfully, Washington offers you a helpful tool.

It is called: "Guide to Record Retention Requirements" (Stock No. 022-003-00915-9).

You can order it from the Superintendent of Documents, Government Printing Office, Washington, D. C. 20402.

Price for the 1976 edition, 95 pages of fine print, is $2.

Finding the Answers for Marketing Managers

"You have a popular consumer product on the Eastern Seaboard, and you would like to try it in the Midwest.

"So you test-market it in a couple of supermarkets in Indianapolis, and you want a quick look at the demographics of the population living near the supermarkets.

"What do you do?"

That was the problem posed at a recent meeting of the Sales Executives Club of New York.

Andrew Garvin, chairman of FIND/SVP, a New York-based information and research firm, then answered the question he had just propounded:

"For less than $100, and within 30 minutes, you can get some detailed demographic and economic statistics for as wide an area around your supermarket as you choose.

"A data bank called SITE, which didn't exist a few years ago, will get such information as population, family income, home values, automobiles owned, level of education, major appliances owned, and so forth.

"Actually, it is a neatly computerized collection of national census information."

Mr. Garvin cites the supermarket case to help prove a point. Namely, that executives today don't have to pore over reams of printed matter to get vital market data.

"It's too cumbersome, costly, and time-consuming," he says.

Millions of items of information are now stored in data banks, he notes. Other millions are compressed into microfilm and microfiche collections.

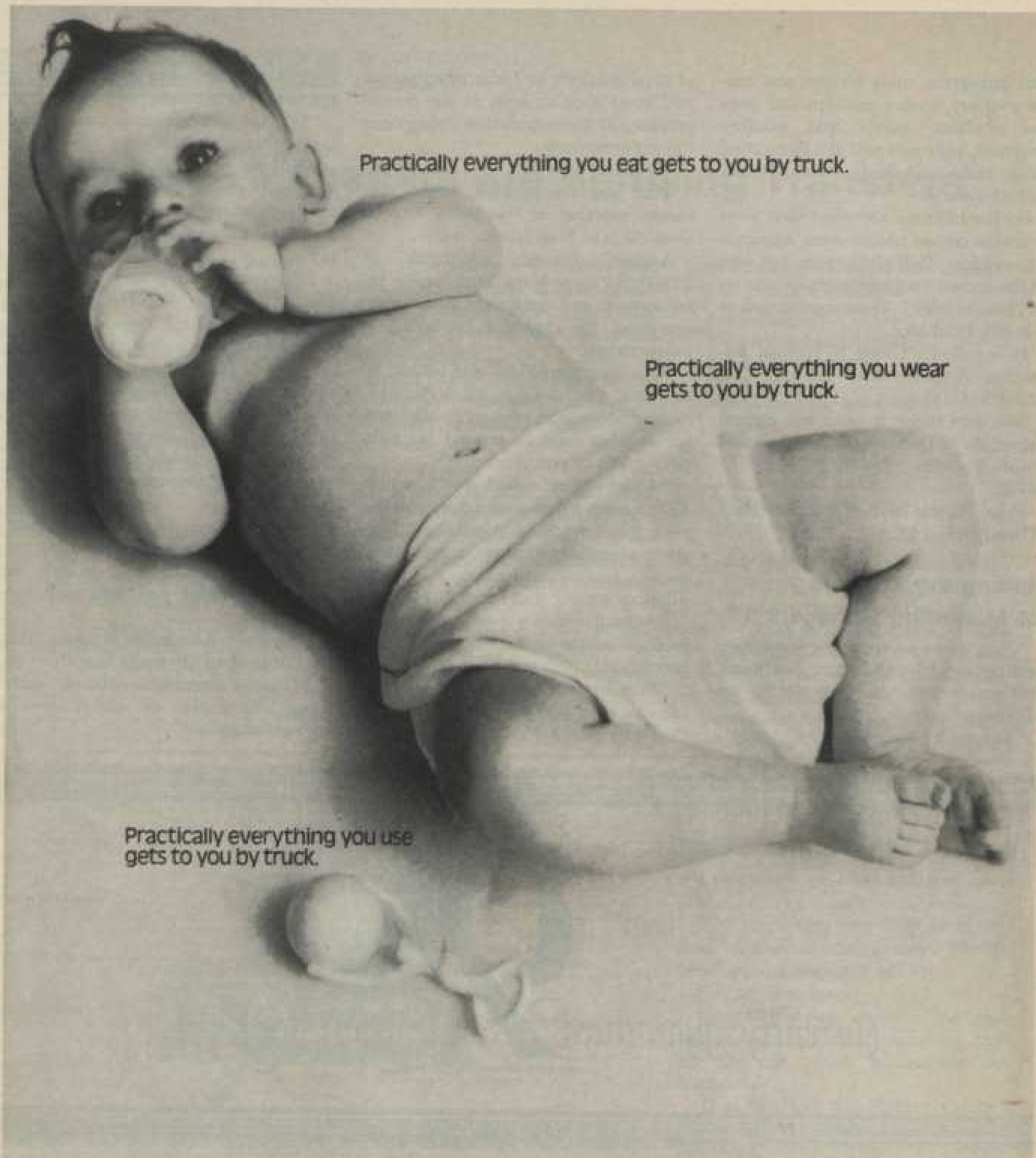
Like other firms, such as Editec, Inc., in Chicago, FIND/SVP uses a computer to search these data bases for information requested by clients.

"What's truly amazing," Mr. Garvin says, "is that the data bases now available collectively cover so many different fields. Some give demographics, sales potential in industrial plants, and information on corporations.

"Others summarize published forecasts and statistics on production, wages, shipments, and prices for many industrial products and services.

"And new data bases are becoming available virtually every month."

Within a decade, he predicts, gathering information by computer will be commonplace. □



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UNIROYAL

SOUND OFF TO THE EDITOR

Government-Guaranteed Jobs for All?

ONE OF today's most controversial political-economic issues is the role of the federal government in combating unemployment.

The debate stems from the high unemployment level of the recent recession. While the level has receded with recovery, the question of who should do what to provide jobs remains very much alive.

One school of thought believes that government should provide a job to every individual unable to find work in the private sector. That argument goes this way:

Joblessness triggers sharply increased government expenditures for unemployment compensation and welfare benefits. Tax funds could just as readily be put into jobs that would return benefits to the public.

A society in which individuals earn their own way, whatever the source of their wages, is more healthy than one in which large numbers of able-bodied unemployed are handed tax subsidies.

Established programs to provide jobs can be put into effect quickly when the unemployment rate reaches a certain level.

A contrary view is that government activity designed to curb unemployment should be limited to actions that help, or at least do not hinder, a healthy, private economy.

Those holding that view say:

Government, when confronted with rising unemployment, should pursue fiscal and monetary policies that dampen inflation and encourage capital investment in job-creating business expansion.

Government job programs generally reach only a small percentage of the unemployed. Much of the money spent goes to pay overhead costs of the bureaucracy, not into expanding the ranks of the employed.

Overall jobless rates are not a valid measure for gauging economic hardship suffered by those temporarily unemployed. The unemployment rate among heads of households, for example, is far less than the overall rate. Unemployment statistics include individuals waiting to be recalled to regular jobs and not interested in other employment, teenage students seeking part-time work, and some wives whose employment is not essential to family security.

Both sides of the argument will be heard as Congress addresses itself, in the next few months, to various public service job proposals.

Should the government guarantee a job to everyone? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Should the government guarantee a job to everyone? ☐ Yes ☐ No

Comments: ______

______

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Name and title ______
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Company ______

Street address ______

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A Loud No to Indexing the Minimum Wage

THE "Sound Off to the Editor" question put to readers in the August issue of NATION'S BUSINESS was, "Should the minimum wage be indexed?" The answer was a loud and clear no. Respondents voted 18 to one against the proposition.

The present federal minimum wage is $2.30 an hour, and it can be changed only through a law enacted by Congress and signed by the President. Pending legislation would provide for automatic changes in the minimum to reflect trends in living costs.

Some legislators advocate using the Consumer Price Index as the basis for determining the minimum wage; others recommend fixing the minimum at 60 percent of the average hourly earnings on private, nonagricultural payrolls.

Robert G. Johnson, agency manager of Columbia Life Insurance Co. of Florida, Tampa, calls the proposal "another example of what causes the vicious, inflationary cycle: increased wages, increased costs, increased prices, increased wages. . . ."

Says Howard D. MacAllister, Oregon sales manager for Craftsman

Donald P. Wind, vice president of sales for Creative Financial Services, Inc., Lakewood, N. J., says: "Indexing the minimum wage will fuel the fires of inflation into an uncontrollable inferno."

Press, Inc., Portland: "The price paid for all goods and services has to be determined by what it costs to produce them. This in turn depends to a very large extent on wages paid. Only when wages are based on productivity can we begin to see a way out of the inflationary mess."

G. R. Hockmeyer, president of Machine and Chemical Sales Co., Houston, says that "every time the government raises the minimum wage, it is in effect decreasing the value of the dollar. Many workers think of their hourly rate as a multiple of the minimum wage, and when the mini-

R. V. Rozycki, owner of Calhoun Engineering, Minneapolis, favors indexing. The minimum wage "should be kept in line with the cost of living without requiring periodic new legislation," he says.

mum wage is increased, they feel entitled to a raise also."

Also opposed is Heinz R. Ruoff, owner of Smith Street Liquor Store, Poughkeepsie, N. Y. He warns: "Indexing will take away any incentive for rewards based on superior service and will result in less productivity from an already apathetic labor force."

Many businessmen say that the existing minimum wage setup is troublesome enough as it is, and that making increases automatic would only cause more difficulty. For example, Maurice W. Aldridge, owner of a Montgomery Ward catalog sales agency in Warrenton, Va., says: "Due to the forced minimum wage, I am now earning less per hour than my employees. The only thing I can do is cut back on employees or go out of business."

And Robert P. Fletcher, president of Terry Enterprises, Inc., Asheville, N. C., says: "As a result of the last two substantial increases in the minimum wage, we have had to increase productivity through modernization. Payroll has dropped 40 percent in the last six months. This has certainly contributed to unemployment in this area." He adds: "The 60 percent of average earnings rule makes more sense than indexing, provided that the average earnings index is on a regional, not national, basis."

Indexing "would work against lower-paid employees the most," says Elizabeth Ross, executive vice president of Home Federal Savings and Loan Association of Ada, Ada, Okla. "We have, in the past, hired part-time high school and college students and given them valuable training. We can no longer afford to do so."

Among the respondents who favor indexing is Anthony B. Zrebiec III, general manager of Carhart Photo, Inc., Indianapolis. He says: "As unions gain greater pay increases in major industries, causing increases in products across the board, it becomes an economic impossibility for anyone in a nonincreasing minimum wage category to make ends meet."

Walter Snyder, owner of Cyclone Service Station & Trailer Park, Cyclone, Pa., explains his yes vote concisely: "The minimum wage earner has to pay just as much for a loaf of bread as does the higher wage earner."

Perhaps expressing the frustration of many who oppose indexing is Don-

E. C. Parker, Jr., president of Charles Schreiner Co., Kerrville, Texas, votes no. "Such action would reduce job opportunities for young, old, and unskilled workers," he believes.

ald K. Reiner, owner of Reiner Publications, Swengel, Pa. He votes no and comments: "Yes, by all means! Index Congress. Index pensions. Index Social Security. Index payroll deductions. Index investment returns. Index insurance protection. Index life expectancy. Index pregnancies. Index rust and decay. Index wars, riots, floods, and fires. Index politics and religion. And then index indexes." □

Regulation Poses the Biggest Challenge to Growth

BY JOHN COSTELLO

ILLUSTRATIONS: PAUL HOFFMASTER

Business will spend more than $121 billion this year on new plants and equipment. This is one reason why the nation's economy is recovering from recession.

Whether the economy continues strong in the years ahead will depend a great deal on future industrial development. And there are major challenges to this industrial growth.

NATION'S BUSINESS, in its annual look at industrial development, discusses some of these challenges. An article on the government regulation jungle starts on this page. Other stories discuss the impact of state and local taxes (see page 78A) and the ever-present concern about energy supplies (see page 78H).

THE BIGGEST CHALLENGE to America's industrial growth is a jungle of government regulations.

"The ever-growing list of permits, approvals, clearances, hearings, and even court challenges poses a major problem," says David M. Reeves, president of the Industrial Development Research Council.

"These regulatory hurdles result, at the minimum, in costly delays. Often, they prove to be insurmountable obstacles to building new plants or expanding the old."

The Commerce Department estimates that U. S. business intends to spend more than $121 billion this year on new plants and equipment. Federal agencies make it very difficult to reach that goal.

Commercial developments, such as shopping centers or office buildings, face obstacles along with industry. Among the barriers are no-growth land-use policies, zoning regulations, sewer moratoriums, and pollution controls.

"Out here in the Northwest," says Albert R. Bullier, Jr., a Portland, Oregon, developer, "our problems are more likely to be state and local regulations than federal.

"Take zoning and land use. Go to any planning commission session, and the agenda is likely to be 15 cases deep. You may be there until 4 a.m., waiting your turn.

"Furthermore, any citizens group can take a case to court and delay a decision for years."

But many local regulations have their source in Washington.

"State pollution controls," says one developer, "generally stem from federal environmental legislation. They were drawn up to enforce Environ-

mental Protection Agency standards. Those state controls are really sons of EPA."

The big headaches

"Environmental controls seem to be the greatest problem," says Stuart Klabin, an Inglewood, Calif., developer. In addition to clean air and clean water regulations, there is the need to get Army Corps of Engineers permits for dredging and filling.

For example, lack of a permit snagged North Star Steel Co.'s plans to build a $50 million mini-mill in Muskegon, Mich.

In 1973, the St. Paul, Minn., company began searching for a site for a new mill.

"We wanted a plant to serve the market in lower Ohio and northern Michigan," says T. A. Leja, a vice president.

"In 1974, our board of directors approved the project. By spring of 1975, we had settled on Muskegon. The city seemed happy about our decision, and the state seemed happy, too.

"The governor came to Muskegon for the formal announcement. And our request for rezoning our 120-acre tract was quickly approved by the City Council."

Payroll and jobs

Muskegon had reason to be pleased. Initially, the mill would employ 500 steel workers. Annual payroll: $8 million. But the payoff was bigger than that.

"All told," says John P. Kavanagh, director of Michigan's Industrial Development Division, "we estimated that the mill would generate 1,280 jobs and a total of $15.8 million a year in wages and salaries."

Next step for North Star was a permit to fill 57 acres in Lake Muskegon. The site was in shallow water in the city of Muskegon's harbor.

The City Council's permit came through without a hitch.

"We also had to get a permit from the Corps of Engineers," says Mr. Leja. "That took considerable work. The corps wanted a lot of information about the project.

"By now, it was fall.

"Then, a local group, the Save Our Shoreline committee, filed suit. The committee wanted to block issuance of the permit. As a result, it appeared to us that the corps would have to prepare a formal environmental impact statement."

Such statements are submitted to various federal agencies and other interested parties. Then the Corps of Engineers holds a hearing before deciding whether to issue the permit.

"The corps estimated it would take eight to ten months to prepare the EIS," Mr. Leja says. "Then, there would be the hearing. And then, we would still have to go to court and fight that battle.

"We decided it would be best to go elsewhere."

North Star's unsuccessful effort to locate in Muskegon cost the company more than $300,000. Now, North Star is looking at a possible site in Monroe, Mich.

Cleaning up the air

"The clean air regulations are impractical," says Tom H. Lang, president of the Society of Industrial Realtors.

"All Americans want clean air, but they also want to be employed. The clean air regulations are arbitrary and unrealistic, measured against any healthy goal of economic growth."

Virginia industrial developers cite what they consider a classic example of unrealistic air quality regulation in their state.

Hampton Roads Energy Co. was well on its way to building a $350 million oil refinery in Portsmouth, Va.

At first, some Portsmouth residents balked at bringing into their city what they considered to be a smelly polluter. However, Mayor Richard J. Davis and Robert A. Metrakos, executive vice president of the Portsmouth Chamber of Commerce, were anxious to land this major employer and taxpayer. Besides, they knew that refineries today need not be smoky and smelly.

The Portsmouth chamber sent a delegation of five area residents to Myrtle Grove, La. There, they inspected a modern Gulf Oil Corp. refinery in a setting of lush truck gardens, orange groves, and blue skies.

Nearby residents said you could not have a nicer neighbor.

The Portsmouth visitors went home sold on the refinery, or with their fears of it eased. The City Council declared itself in favor. After a hearing, the state's Air Pollution

Control Board also approved a permit.

Then, this year, the Environmental Protection Agency's regional office abruptly stepped in, putting a halt to the Hampton Roads Energy Co.'s plans. The refinery is "environmentally unacceptable," an EPA spokesman declared flatly.

EPA's objection?

Tidewater Virginia, like many areas of the country, does not meet all of EPA's ambient air standards. The region's wet marshlands contribute heavily to oxident levels, or smog, not only in the state, but as far as 14 miles out to sea.

No growth for Virginia?

Therefore, the whole state is in what EPA calls a nonattainment area, as are most industrialized parts of the United States.

EPA bars new sources of pollution in such areas, unless pollution from existing sources can be reduced by a greater amount. To bring the refinery in, something would have to come out. Or else, existing industrial plants would have to cut their emissions by more than the refinery would add.

Virginia's Gov. Mills E. Godwin, Jr., denounces the EPA action on the Portsmouth oil refinery as laying down a no-growth policy for his state.

"We cannot set industry against industry," says William R. Meyer, executive director of the Virginia State Air Pollution Control Board. "How can we tell a company which is already here that we must clamp new controls on it in order to bring in another firm?"

But EPA says the law is clear. If states fail to enforce their clean air codes, the federal agency can step in.

The outlook

The past is prologue, many developers fear.

Washington's regulatory agencies already employ 74,000 people, the Center for the Study of American Business estimates. That is a small army, nearly equal in size to five U. S. airborne brigades.

"And the regulations on the books," says one developer, "are kid stuff compared to some that Congress has in mind."

"I hear more and more criticism of overregulation," says William T. Hackett, Jr., president of the American Industrial Development Council,

Inc. "Not just from developers, but from the public as well.

"But the criticism falls on deaf ears in Congress. Every session finds Congress talking about more regulation, not less."

A slumbering threat

EPA's plan to curb what the agency calls indirect source pollution is one slumbering threat that industrial developers fear.

"It is land-use planning, thinly disguised," says Alfred G. Rasor, a Phoenix realtor.

"If EPA had control over indirect source pollution," says John W. Godfrey, president of Upland Industries Corp., Omaha, "it would become a national planning agency, dictating where you can or cannot build."

Details of the EPA plan were bared in February, 1974, when the agency issued regulations which have not yet gone into effect. These regulations were to be used to review the impact of any facility that would generate "significant amounts" of auto traffic. Such facilities, EPA said, would include:

- New roads in urban areas which are expected to carry an average daily traffic volume of 20,000 vehicles or more, up to ten years after the roads are built. For nonurban areas, the limit would be 10,000 vehicles or more.
- Any new airport expected to have 50,000 or more flights a year, again up to ten years after being built.
- Any new urban plant, shopping center, or other indirect source of pollution that has a parking lot for 1,000 cars or more.
- In a nonurban area, any such indirect source with a lot for 2,000 cars or more.

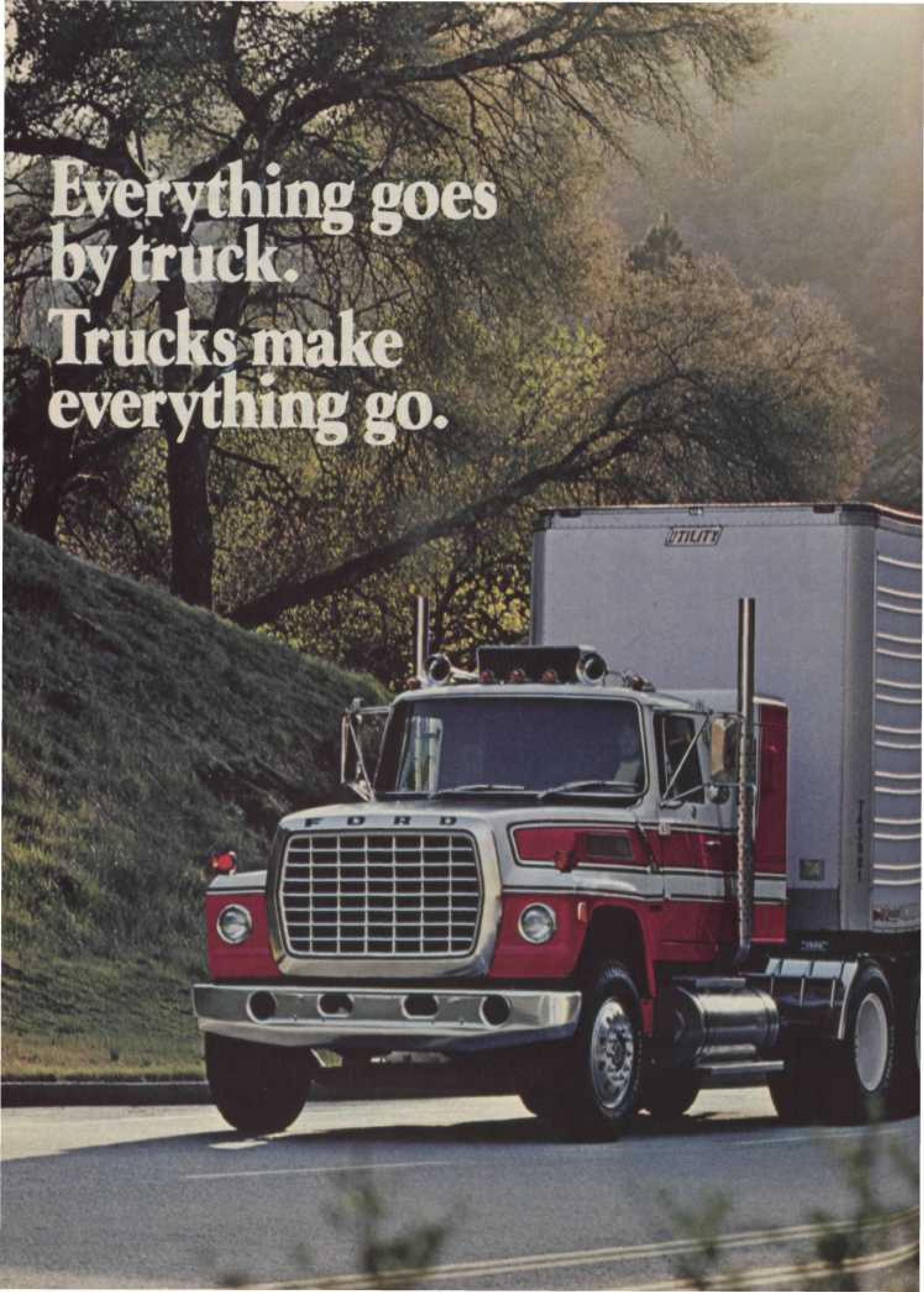
Such projects would need an okay before bulldozers went to work. In effect, EPA or a state agency enforcing these rules would have veto power over virtually all major development.

The time may be soon

Congress has blocked the agency by refusing to allow EPA funds to be spent to curb indirect source pollution. But Congress can lift the ban at any time.

That time may be drawing near.

The ban was imposed to give Congress time to rewrite the Clean Air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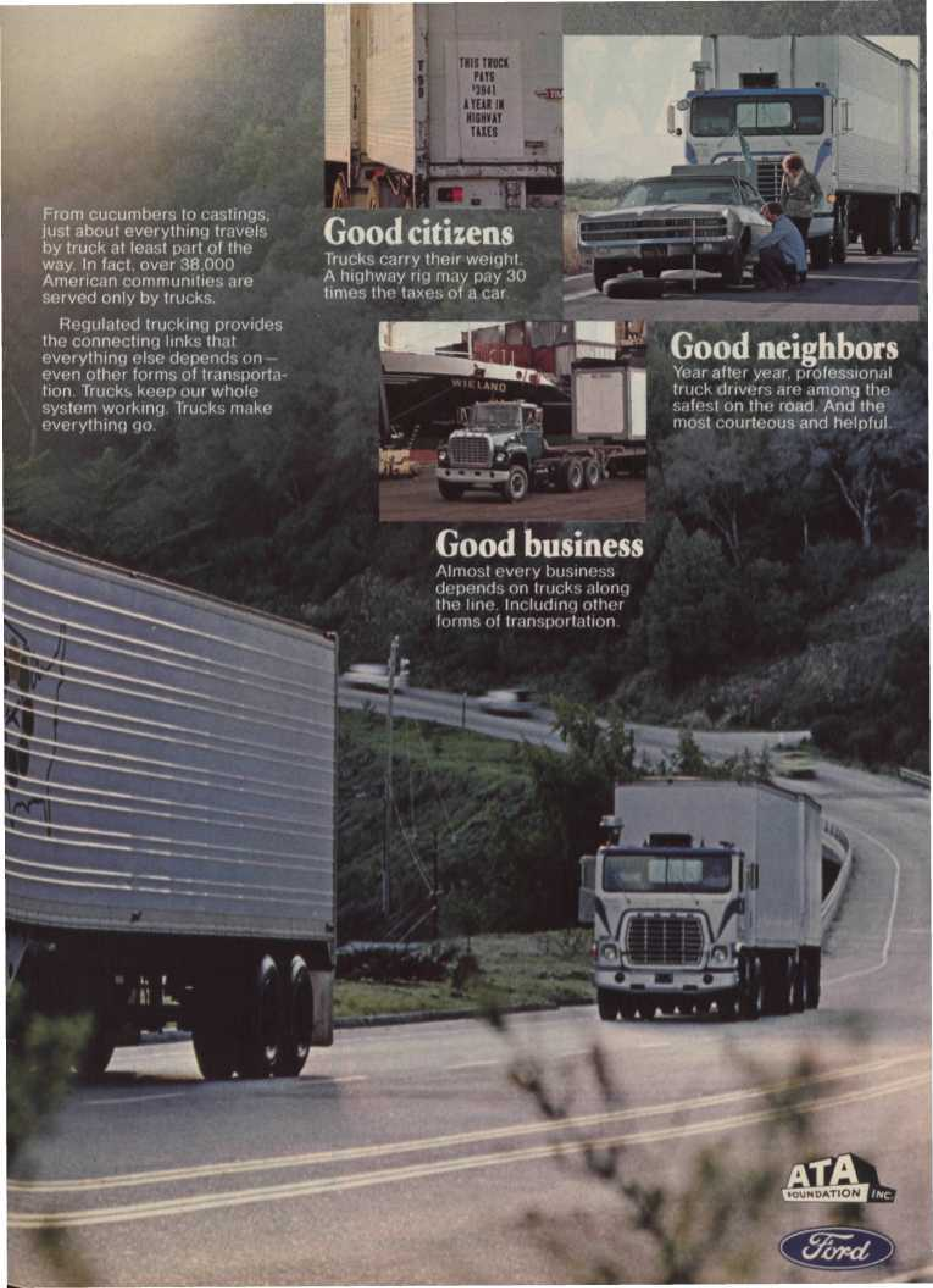
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As the President of Schlitz put it in a recent letter, "We feel that we and the computer could not have made a better choice . . .".

How about your Company? These are some of the factors that attracted Schlitz and other companies to Memphis in the last 6 years. How about your company? For more information call or write: Dan Dale, C.I.D., Director of Industrial Development, Memphis Light, Gas & Water Division, P.O. Box 430H, Memphis, Tn. 38101 (Phone 901-528-4171); or M.S. "Bud" Worsham, Manager, Economic Development Dept., Memphis Area Chamber of Commerce, P.O. Box 224H, Memphis, Tn. 38101 (Phone 901-523-2322).

Act of 1970. Both the House and Senate have been busy doing just that in the current session.

Gilding the lily?

Three years ago, in response to a court order, EPA proposed and then issued regulations for preserving the cleanliness of air that was already purer than specified by Clean Air Act standards. Last year, however, the agency asked Congress to double-check the regulations and formalize them with amendments to the Clean Air Act.

One proposal under consideration would ban virtually any man-made emissions, or the industry responsible for them, near unsullied Class I regions: national parks or wilderness areas of 5,000 acres or more.

How near? "It could be as distant as 50 or 100 miles," says Sen. Frank E. Moss (D.-Utah), an advocate of careful study of the impact of any new air standards.

Elsewhere in the nation, where the air passes every EPA cleanliness test, industry would be allowed only if it meets the highest standards.

For many companies, these standards would be impossible to meet.

Hurting the poor?

When EPA first proposed its pure air rules in 1973, the Department of Health, Education, and Welfare was shocked. The rules, an HEW study warned, pose a substantial risk of imposing "social costs far in excess of any benefits to be gained."

These curbs on economic growth would affect all Americans, HEW said, but those least able to care for themselves or compete for jobs—the poor, minorities, and the elderly—probably would suffer most.

EPA's pure air rules, HEW added, "would produce a national land-use policy. . . . Serious land-use distortions might result, particularly if only a few regions would be capable of absorbing population or economic growth."

Says a spokesman for the Society of Industrial Realtors: "The EPA approach and proposed congressional legislation amount to a national no-growth policy."

Others see the proposed legislation as a way to impose federal zoning standards on the nation. Some feel it would dovetail with proposed national planning laws—such as the Full

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Employment and Balanced Growth Act of 1976—introduced in Congress this year.

Industrial development faces new regulation in financing, too.

One example is found in the Federal Energy Administration Extension Act, passed last August.

The law states that the Department of Housing and Urban Development is to issue energy conservation standards for new buildings.

If Congress approves the idea, financial sanctions would be applied in any area that does not have energy conservation regulations that conform to HUD's standards. The sanctions: "No federal financial assistance shall be made available or approved with respect to the construction of any new commercial or residential building in any area."

Financial assistance is defined as any loan made by or purchased by a federally regulated bank, savings and loan association, or similar institution. That means nearly all lenders.

For bankers, builders, and industrial developers, that proviso is an eye-opener.

The pressure point

What it could mean, an American Bankers Association spokesman points out, is this:

"If a community, even by its own deliberate choice, does not adopt Washington's energy conservation standards, no bank with Federal Deposit Insurance Corp. coverage could make a building loan there."

The ban would include both short-term construction loans and long-term "take-out" loans after the building or plant is in place.

"That," the association spokesman adds, "would make the banker the pressure point in the community, the policeman enforcing federal standards."

The Department of Housing and Urban Development explains why HUD finds this an attractive way to compel compliance with its directives.

"There is no incentive on the part of a builder, developer, or banker to require or install a high degree of insulation," a HUD official says. "None of them pay the cost of heating or cooling.

"This approach is saying: 'Look, there will not be any financing with federally insured money if you want to finance buildings that are not energy-conserving.' "

Flagging down a developer

Similar philosophy is found in other regulation. For example, Congress wrote financial sanctions into the Flood Insurance Act of 1968. For another example, there are the laws governing preservation of archaeological and cultural sites.

Federal policy has tied in knots a $70 million development in Phoenix's Salt River Valley.

Design Master Homes, Inc., bought a 630-acre tract in the valley for commercial and residential development. Local experts discovered on the tract prehistoric artifacts which they feel may be significant. As a result, William D. Long, president of Design Master Homes, finds part of his project stalled while he explores with the National Park Service and the Interior Department what measures of relief are available.

The local Federal Housing Administration office, Mr. Long explains, cannot approve federally guaranteed mortgage loans on any part of the tract where there are significant archaeological finds.

An archaeologist from Arizona State University explains why.

"The federal legislation that is responsible," says Donald E. Weaver, Jr., "is the Archaeological Conservation Act of 1974. The act specifies that before any federal agency expends federal funds, issues insurance or mortgage guarantees, or grants a permit or license, the agency must consider cultural sources. That means obtaining an archaeological clearance."

It was Mr. Weaver and another archaeologist who brought this to the attention of Arizona officials. The news was a bolt out of the blue to local developers. But they were not alone.

Sites everywhere

"In spite of the fact that this legislation passed in 1974," says Mr. Weaver, "many of the federal agencies had not implemented it in any real backup regulations or procedures. So, essentially what happened is that some of this was just overlooked."

The Salt River Valley, where Phoenix has blossomed, was the

home of numerous early Americans.

"On almost any watercourse here, like the Salt River Valley," says developer Long, "you are going to find a camp or village where Indians lived, going back to the Hohokam tribe in 300 B. C.

"At any place where an Indian stayed overnight and broke a pot, you may find archaeological signs. I have been told there may be 20,000 archaeological sites in this valley.

"My development is on farmland which has been cultivated for at least 40 years. Right now, much of the land is planted in cotton. But planting cotton did not require federal clearance."

Not just Arizona

"We are insisting on archaeological clearance in Arizona," says Mr. Weaver. "This probably should be done in other parts of the country, but it is not being done. The same regulations, the same laws, should apply everywhere.

"There is another angle we have thought of. When an industrial developer or builder seeks financing, he often goes to a bank. Most banks have Federal Deposit Insurance Corp. coverage. And FDIC is a federal agency.

"So there is a federal involvement here, too. Perhaps industrial development projects come under the Archaeological Conservation Act, if financed by banks covered by FDIC."

The view from the Hill

One Capitol Hill expert describes the pervasive effect that federal financial sanctions will have on development of all kinds.

"If we get financial sanctions in the energy area," he says, "it may become automatic in all federal legislation. Then, it's Katy bar the door."

Before that happens, industrial development experts say, Congress and federal agencies should pause and ponder the consequences. What is needed, these experts believe, is adoption of realistic attitudes toward regulations affecting development. They advocate comprehensive studies of what proposed regulations can do to an economy still struggling to regain full strength. □

MR. COSTELLO *is an associate editor of Nation's Business.*

The Show-Me Attitude of Today's Employees

There was a curious omission in Dr. John F. Mee's otherwise valuable and valid article, "Understanding the Attitudes of Today's Employees" [August].

He did not mention that today's employees no longer see their places of employment as the center of their lives.

Individuals today have a show-me attitude toward all organizations. Show me, they say, that you have something to offer me in return for what I offer you. Show me why I should work for this organization instead of for any number of other corporations, associations, or unions.

It may be a very healthy development if management and managers feel challenged by that attitude.

Increasingly sloppy, unprogressive, or autocratic enterprises, and there are some left, will find themselves forced out of their sluggish ways or reduced to operating with a staff of unimaginative, indifferent, and inefficient timeservers.

Good managers know that today's restless men and women, young and not so young, change jobs frequently. They want action, not a gold watch. They seek scope, upward mobility, authority, and responsibility. Salary is also important but not the chief consideration.

Anyone who has bothered to listen with an unprejudiced ear knows that a surprisingly large number of the up-and-coming generation are far less antibusiness than headshaking, tongue-clucking critics tell us. Critics talk mostly to each other and reinforce each other's negative convictions.

HARRY DAVID
President
H. D. Associates
Washington, D. C.

Dr. Mee points out that today's business school professors "have had no business experience. . . . They teach out of books."

A researcher's analysis of the faculty of one of our nation's respected business schools found that a composite faculty member would be 36 years old, hold a doctor's degree, have 8.3 years' experience in university teaching and one year's experience in industry.

I recommend that business schools

adopt a rule making five years' service in business or industry a requisite for receiving the degree of doctor of business administration.

R. GORDON RELYEA
Educator and Lecturer
Sun Lakes, Ariz.

The August issue arrived at my office as I was preparing to attend a seminar for first-line supervisors, and I felt the timing of Dr. Mee's article was particularly appropriate.

He was going along nicely with his new approach to managing today's worker until he got to the part about involving an employee's spouse in company affairs.

Dr. Mee is stuck with stereotypes of ten years ago.

He assumes that only males are in a position to invite spouses to company functions and that there are no women employees who would be in a position to invite their husbands.

His example of American wives spouting off about their husbands' salaries while visiting Australia was ridiculous. Of course, the American women showed bad taste, but surely all wives cannot be labeled as indiscreet, tactless, and incapable of behaving properly.

PAULA TAYLOR
Westminster, Calif.

Dr. Mee's article was enlightening and extremely informative. So was the "Lessons of Leadership" article on architect John Portman, "Defying Tradition and Achieving Success" [August].

It is my opinion that all intelligent and prudent executives would benefit greatly from NATION'S BUSINESS. Thank you for providing us with a most interesting and useful magazine.

DENNIS L. FOSTER
Sales Representative
Sentry Insurance
Hershey, Pa.

Hiring the handicapped

I thank you for the item, "Making It Easier to Hire the Handicapped," which appeared in "Panorama of the Nation's Business" [June].

The item noted how many businesses are recognizing their responsibility to the handicapped and how others can often make minimal cost adjustments that enable the handicapped to function in the world of work.

I invite all businessmen to join

continued on page 78

A page worth tearing out.

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NB-106

BY JAMES J. KILPATRICK

States' Rights Make a Comeback

ONCE upon a time, there dwelled in this nation a large number of persons who cherished a neat and tidy view of the U. S. Constitution. These plain folk were known as states' righters. It was an odd name, in its way, for states have very few rights. States have powers. But anyhow, that is what these folk called themselves. They were fundamentalists. They loved the whole Constitution, but mostly they loved the Tenth Amendment.

Until quite recently, alas, it had to be said that time had treated the states' righters badly. In the beginning, their beloved Tenth had been widely venerated. During the ratification debates of 1788, the Tenth was the one amendment most urgently demanded. But no sooner had the Tenth Amendment become part of the Constitution than its meaning began to decline. Little by little, the sovereign states saw their powers dwindle. The Tenth faded away like an old soldier. People used to ask: "What ever became of the dear old Tenth?" And someone would say: "Dead, I think."

So far, this has been a sad story, but at least in the states' righters' view, it is about to take a happier turn. This past term of the U. S. Supreme Court saw an amazing development. The Tenth Amendment, which we thought was dead, seems about to rise again. It is showing color. It is taking nourishment. Its vital signs improve. As archie the cockroach said of mehitabel the cat, there's life in the old girl yet.

AND WHAT, you may reasonably inquire, is the Tenth Amendment? Not one person in 100,000 could quote it. The Tenth is the amendment that says: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

Well, you may say, that is hardly a proposition to get worked up about. But it is. Those 28 words provide a master key to the house of our fathers. They explicitly confirm the original understanding that sovereignty lies in the people through their states; that the national government derives its limited and enumerated powers from the states; and that all powers neither delegated nor prohibited by the Constitution are retained by the states respectively. This is the old-time religion. It is the states' rights gospel. You seldom hear it preached anymore.

But, behold: The last term of court saw no fewer than 14 cases in which state powers were put to constitutional challenge. By my reckoning, the states won 11 and lost three. For the states' righters, it was one helluva winning season. Nothing approaching this record has been seen in recent years.

The cases involved a number of constitutional issues: equal protection, due process, First Amendment freedoms, the regulation of interstate commerce. There was a fine variety of subjects: junked cars in Maryland, long-haired cops in New York, unlearned judges in Kentucky, police trainees in California. Only three of the state victories were won by five-to-four votes; in several opinions, the court was unanimous.

VIEWED as a whole, the decisions reflect a surprising determination on the court's part not to interfere with the states in the conduct of their own affairs. I say surprising, because the trend in recent years has been in the opposite direction. The trend has been to enlarge the powers of the federal government and to diminish the powers of the states. Time after time, until this past term, the states have been told that they were prohibited from doing such and such or that the federal government had preempted all power in this field or that.

The states deserved to lose the three cases they lost last term. One of the cases involved a Mississippi regulation having to do with reciprocity in milk processing; the regulation was plainly an encroachment on the Constitution's commerce clause. Another case involved a local ordinance in New Jersey requiring that door-to-door canvassers register in advance with police; the ordinance clearly fell short of First Amendment standards. The third challenged Virginia's law prohibiting price advertising by pharmacists of prescription drugs; the law grossly trespassed upon rights of free speech and free press.

By contrast, consider a few of the cases the states won.

If there is one field that has seemed to be preempted by federal power in recent years, it is the field of public welfare. The Supreme Court has tended to create a panoply of elaborate rights for welfare recipients. But in Lavine v. Milne the court voted eight to nothing to uphold a New York law intended to penalize persons who quit work just to obtain welfare benefits. New York's "rebuttable presumption," said the court, was no denial of due process of law.

The question of due process also figured in North v. Russell. This was the Kentucky case involving lay judges, not trained in the law, who sit in the bottom-rung traffic courts in some of the state's small towns and rural counties. Reasonably minded men may dis-

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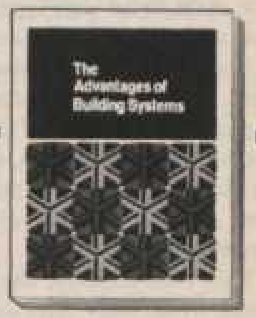

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agree on whether the practice is good or bad; in many parts of the nation, where lawyers are few or not interested in ill-paid judgeships, the appointment of lay magistrates may serve a useful purpose. The question before the court was in essence a Tenth Amendment question: Does the Constitution prohibit the states from experimenting in this fashion? By a six-to-two vote, the court answered the question: No. Kentucky's system was upheld.

THIS POWER of the states to engage in political experiment is one of the things that federalism is all about. The states are supposed to function as laboratories, testing different approaches to public issues. Two such experiments by Maryland won the high court's approval. Roemer v. Maryland challenged the state's subsidy to 17 private institutions of higher education [see "Rulings That Penalize Private Schools," by James J. Kilpatrick, NATION'S BUSINESS, September, 1976]. Because several of the recipient colleges were affiliated with the Roman Catholic church, plaintiffs argued that the payments violated the constitutional principle of separating church and state. A five-man majority of the court refused to accept that view and thus upheld the law. In the other Maryland case, Hughes v. Alexandria Scrap Corp., the court found no constitutional proscription against the state's ingenious plan to rid its streets and highways of abandoned automobiles. Here it was charged that the plan intruded upon the power vested in Congress to regulate interstate commerce. To the contrary, the majority saw the law as a valid exercise of Maryland's own powers to deal with its own problems.

A series of cases in the past term dealt with state and local employees. In other years, the court has tended to provide all kinds of due process protection for them. A couple of years ago, for example, the court nullified regulations having to do with pregnant schoolteachers. The court has protected cops who took the Fifth Amendment.

This time around, the court was in no such solicitous mood. With only Mr. Justice Marshall dissenting, the court upheld a Massachusetts law requiring mandatory retirement of state police at age 50. By a six-to-two vote, the court found that a hair-grooming regulation of Suffolk County, N. Y., did no violence to a police officer's rights of free expression. In Bishop v. Wood, the court refused to interfere with the dismissal of five policemen in Marion, N. C. In another North Carolina case, this one from Charlotte, a unanimous court upheld the city's refusal to check off union dues for the local firefighters' union.

The most important of the states' rights cases came down on June 24. It came down explosively, in the form of a five-to-four decision that provoked Mr. Justice Brennan to the angriest dissent of the term. The question was whether Congress, by means of the Fair Labor Standards Act, constitutionally may impose minimum wage and overtime requirements upon the states *as states*. To the amazement of many observers, the majority said no.

IT WAS amazing because only eight years ago, in the landmark case of Maryland v. Wirtz, the court had gone precisely the other way, upholding a 1966 law extending minimum wage coverage to workers in state schools and state hospitals. Then, in 1974, Congress made all state and local government workers subject to minimum wage and overtime laws.

This past June 24, it was a very different story at the court. Writing for the five-man majority, Mr. Justice Rehnquist rediscovered the forgotten Tenth Amendment. He resurrected Calhounian ghosts of state sovereignty. In the process, the majority specifically gave the Wirtz ruling the old heave-ho.

"One undoubted attribute of state sovereignty," the majority held, "is the states' power to determine the wages which shall be paid to those whom they employ in order to carry out their governmental functions, what hours those persons will work, and what compensation will be provided where these employees may be called upon to work overtime."

The states, as states, "stand on a quite different footing than an individual or a corporation when challenging the exercise of Congress's power to regulate commerce." The federal government cannot be permitted "to devour the essentials of state sovereignty." Congress may not supplant a state's policy choices on pay scales by imposing pay scales of its own. "We are persuaded that Wirtz must be overruled."

To be sure, the attribute of state sovereignty that Mr. Justice Rehnquist regarded as "undoubted" was not undoubted at all. The infuriated Justice Brennan, who was joined by Justices White and Marshall while Justice Stevens wrote a separate dissent, denounced the majority opinion as an exercise in "raw judicial power." It was a "catastrophic judicial body blow" against congressional authority over interstate commerce, Justice Brennan said. He deplored the "profoundly pernicious consequences" of this "mischievous" decision. He condemned such "patent usurpation." Mr. Justice Brennan, in his own word, was left "incredulous."

LIKE DOUBTFUL crowns, five-to-four decisions are ice on summer seas. The minimum wage ruling could melt away with the next vacancy on the court. While it survives, the majority opinion immensely strengthens the states in their expanding struggle against powerful unions of public employees. If the states indeed stand on a different footing from private employers as to the Fair Labor Standards Act, perhaps the states also occupy a different position under Taft-Hartley. Some of the sweeping Rehnquist sentences invite such interpretation.

That issue can be put off. For now, it suffices to say that the court's most recent term saw new life stirring in old ideas. The venerable Tenth Amendment, it now appears, was only sleeping. It was not dead after all.

James J. Kilpatrick

NEW SURVEY: How Businessmen Feel About Federal Paperwork

A move to obtain individual views on the paperwork burden may pay off in easing the load for the business community

RICHARD F. TAAFEL, president of a Cleveland construction company, has some definite ideas on how to reduce the federal paperwork burden on business.

For one thing, he suggested not long ago, "all paperwork requirements should be reviewed periodically, and unnecessary or marginally valuable reports should be abolished."

At one time, if Mr. Taafel had submitted to federal officials his views on excessive government paperwork, his comments probably would have been politely acknowledged and promptly forgotten.

Listening at last

This time, however, his views were reviewed by an official government agency and became part of a growing body of evidence that is expected to help persuade Congress to reduce the paperwork burden that now costs business $40 billion a year.

Mr. Taafel was one of the thousands of businessmen and women throughout the country who responded to a survey conducted by the Chamber of Commerce of the United States. The poll was designed to obtain specific data on federal paperwork from the viewpoint of those required to invest the time and expense of filling out an unending stream of complicated government forms.

Responses went to the National Chamber's Government Paperwork Information Exchange, and then to the Commission on Federal Paperwork, an independent government agency.

To eliminate duplication

A principal mission of the National Chamber is obtaining evidence of overlapping, duplication, and obsolescence of much of the paperwork that businesses must file with the federal government.

The Commission on Federal Paperwork was created by Congress in 1975 and given a two-year assignment to investigate the paperwork burden and recommend reforms. The deadline for its recommendations is October, 1977.

One of the key objectives is to translate generalized complaints about the impact of excessive reporting requirements into the type of detailed grass-roots reports produced by the National Chamber survey.

Commission staff professionals analyzed results of the survey.

For the analysis, the paperwork commission selected a sampling limited to small business. By government definition, a small business is one that employs fewer than 500 workers.

What the businessmen said

Among the findings:

- Paperwork requirements considered most burdensome by owners and operators of America's small businesses are those imposed by the Internal Revenue Service and the Occupational Safety and Health Administration.
- Business people are particularly annoyed by demands that the same information be filed over and over again each year, by incomprehensible directions on how forms should be filled out, and by the extent to which government paperwork interferes with normal business operations.
- Business opposition to government-mandated paperwork goes beyond time and cost commitments. The fundamental issue of government intrusion into the free enterprise system, as evidenced by de-

mands for compliance reports, is also a matter of deep concern.

The government analysts reported that a sampling of replies was "closely comparable to national figures on types of existing small businesses." Furthermore, the analysts added, the replies provided "a good composite of small business according to industry type, employment, and geographical location."

Manufacturing companies, for example, comprised 9.1 percent of the sample and actually represent 9.4 percent of small businesses. Service industries accounted for 32.9 percent of the sample, compared with 38.9 percent of all small businesses.

Individuals completing the survey form were asked to specify type of business, number of employees, and average number of federal forms filed each year.

It turned out that slightly more than 30 percent of survey respondents, the largest single group, report that they fill out between 11 and 25 forms annually; 22 percent file 26 to 50 forms annually; 13 percent file between 50 and 100. However, 19.5 percent say they file ten forms or fewer each year, while 14.9 percent report they fill out between 101 and 500 forms annually.

Four key questions

The survey form posed four questions:

Which federal government reports require the most management time?

What federal government paperwork do you do that does not make sense?

What federal government paperwork hurts your business or profession the most?

What are your recommendations for reducing the federal paperwork burden?

What the commission learned

The government analysts summarized the answers this way:

• Require most management time: "More than 60 percent of the respondents listing a specific form . . . mentioned an IRS-type document. . . . The only other form with high frequency of notation as time-consuming was Labor Department's OSHA report."

• Do not make sense: "Many small businessmen do not think that a wide series of IRS forms make sense. Other make-no-sense responses clustered on Census, Employee Retirement Income Security Act, and OSHA forms.

"General problems noted for federal paperwork that does not make sense were forms that were perceived to be repetitive, duplicative, nonapplicable (do not apply to respondent's firm), and confusing."

• Paperwork that hurts the most: "Small business paperwork that is perceived to hurt most is IRS."

• Recommendations for cutting paperwork: "The general comments 'less regulation,' 'less bureaucratic influence,' and 'fewer agencies' provided the most frequent recommendation.

"This [type of] response was noted more frequently than the overall 'eliminate forms,' 'reduce duplication and frequency,' and 'simplify-clarify' reactions.

"Stated in a different fashion, the major psychological impact of federal paperwork may be that the small businessman is miffed at the government's intrusion into the free enterprise system.

"This intangible impact is perhaps more pronounced than the entrepreneur's feelings attached to the time, cost, frequency, or overlap involved in complying with federal information requests."

The survey also disclosed the different perspectives of different types of business.

Categories listed were agriculture, construction, manufacturing, transportation/utilities, wholesale, retail, finance/insurance/real estate, and services, all standard industrial classifications of the U. S. Department of Commerce.

Paperwork commission analysts reviewed responses to determine

which forms were considered most objectionable by industry groups.

All listed IRS forms as most painful. Congress has taken action to handle one of the most frequently listed complaints—the requirement to file quarterly IRS form 941. As a result, businesses will have to file that report of taxable wages only once a year, beginning in 1978.

IRS forms in general also won the dubious distinction of being listed by four industries—construction, wholesale, retail, and services—among forms that make no sense.

Census and OSHA forms

Manufacturing and retail businesses also often listed Census Bureau and OSHA forms under the no-sense heading.

OSHA forms were cited as taking most management time by the construction, manufacturing, retail, and service industries. Retail and service

PHOTOS: JON FRANCIS

industries also listed IRS forms as most time-consuming, while manufacturers also put Census Bureau reports on their most-time list.

Results of the National Chamber's survey on small business attitudes toward paperwork were so informative that a second, more detailed survey is now under way. The new poll will reach twice as many business establishments as the original, conducted this past summer.

Scope of the survey

The new questionnaire deals with 20 specific forms—13 required by IRS; three by the Labor Department, which includes OSHA; two by the Commerce Department; one each by the Federal Trade Commission and the Interstate Commerce Commission.

Results of the second survey of small businesses will also be analyzed by the paperwork commission, with a report expected early next year.

The commission is conducting a separate investigation of its own to assess the paperwork impact on larger businesses.

Views of companies of all sizes toward government reporting will become part of the same overall investigation. Relief produced by the paperwork commission's efforts should benefit business generally.

Business speaks up

The National Chamber's survey produced a wide range of recommendations on what should be done about

federal paperwork. Here are some representative responses:

Thomas M. Laird, president of H&L Enterprises, Inc., Huntingdon Valley, Pa.: "Avoid reporting of similar information to several agencies. Much of the data gathered is put to no good use. . . . Even a reduction of ten percent would greatly ease the burden on business and would save tax money at the government end by avoiding the necessity for sorting and accumulating the data gathered."

W. F. Cranfill, president of Southgate Brokerage Co. of Raleigh, Inc., Raleigh, N. C.: "Study the true value of the information asked for. If it does not serve a most important purpose, forget it. Stop duplication. . . . IRS, Labor, and Agriculture departments all send a similar form with similar questions."

A shotgun approach

Arnold S. Giles, president of The Mansfield Press, Inc., Mansfield, Mass.: "Either get rid of the manufacturers' reports or redesign them to be sure information solicited pertains specifically to the business being approached. Forms now look like a shotgun approach designed by people who have no knowledge of the specific industries they are soliciting information from. The manufacturer is left doubtful that those receiving the forms have the knowledge to make meaningful interpretations."

Gary L. Eley, partner in Eley Construction Co., Anchorage, Alaska: "Decrease the government employment opportunity so we will not have quite so many paper-shufflers making useless work for those who want to be productive."

Raymond Inman, president of Parkway Sealers, Inc., San Jose, Calif.: "Make government apply to itself efficiency standards it requires of business."

Jerome G. Lauer, Jr., assistant controller of Bowmar Instrument Corp., Phoenix, Ariz.: "If the government requested only information that was meaningful, such as the Securities and Exchange Commission's Form 10K, thereby eliminating such unnecessary, inaccurate, worthless reports as the Commerce Department's MA-100, both private industry and the government would save money."

Anthony Cindrich, president of Myat, Inc., Bergenfield, N. J.: "A moratorium on all new reporting requirements and a review of existing paperwork demands with an eye toward major curtailment and discontinuance."

Bill Calston, president of Riviera Telephone Co., Inc., Riviera, Texas: "Realize that business people, especially small business, have their hands full trying to stay in business

without the heavy paperwork that is never read."

Donna Marie Caspers, a vice president of Carson National Bank, Auburn, Nev.: "Get them to write their instructions in laymen's language."

Robert Moresi, a salesman for Chase Metals Service, Inc., St. Louis, Mo., is among the many business people who feel the most effective solution would be to "keep government out of business."

A businessman's plea

In a similar vein, Walter Primmer, owner of a Bishop, Calif., refrigeration company, pleads with government: "Leave us alone!"

Henry G. Simpson, a certified public accountant from Suffolk, Va., sees the need for a radical cure. Both the problem and the solution are so fundamental, he says, that government paperwork burdens will be lifted only with "a complete change in the prevailing philosophy in Washington as to what are the proper functions of government and what government's relation to small business should be." □

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FORECAST FOR BUSINESS:
Continuing to Improve

Leading businessmen say the outlook is bright for the economy and their own companies. There is fear, however, of higher inflation

THE PAUSE in the pace of the business recovery in late summer will be a thing of the past in the final quarter of 1976.

This is what most executives say in response to the latest NATION'S BUSINESS outlook survey. A big majority add that 1976 profits will be markedly higher than in 1975.

A happy new year

The optimistic outlook extends into 1977. Most executives say that business in the new year will be good, better than in 1976, or excellent.

There is a degree of pessimism, however, on the outlook for inflation. A majority of businessmen surveyed say they look for the present rate of inflation of about six percent to step up to seven or eight percent by the end of next year.

Here are responses to individual survey questions:

• *What do you think the nation's economy will do in the final quarter of 1976?*

Seventy-four percent of the answers to this question say the economy will improve, 24 percent say it will level off, and two percent say the economy will slow down.

• *How did your sales hold up in the first three quarters? Higher or lower than in the same period of 1975?*

Seventy-eight percent say higher, 16 percent say lower, six percent say sales were about the same.

• *How will your final quarter sales this year compare with your sales in the final quarter of 1975?*

Seventy-seven percent say sales will be higher, ten percent say lower, 13 percent say sales will be about the same.

• *How will your 1976 profits compare to 1975 profits?*

Seventy-three percent say profits will be higher, 14 percent say lower, 13 percent say profits will hold about steady.

• *Will you increase or decrease your company's capital investment in 1977?*

Fifty-two percent say investments will increase, 36 percent say investments will be about the same as those of this year, 12 percent say investments will decrease.

• *For business in general, at this date how do you view prospects for 1977?*

More than 80 percent say business will be at least as good as in 1976, and probably better. Many executives expect business to be excellent.

Inflation rate

• *What, in your opinion, will the rate of inflation be by the end of 1977?*

More than 50 percent say the rate will be between six and eight percent. Other estimates range from three percent to 15 percent. Several executives simply predict double-digit inflation.

• *What do you consider the most encouraging aspect of the economy today?*

Here are some of the answers given most often:

President Ford's veto record on big government spending proposals by Congress.

Increasing capital investments.

Moves toward more responsible fiscal policies as reflected in congressional budget control procedures.

Paul F. Oreffice, president, Dow Chemical U. S. A., Midland, Mich., is concerned over continued inflationary pressures on basic raw materials and on construction costs. Otherwise, he views 1977 business prospects as excellent.

William G. Meese, chairman, The Detroit Edison Co., Detroit, is generally encouraged over the nation's economic outlook for 1977. But he is discouraged over what he calls the antibusiness attitude of many government officials.

Shearon Harris, chairman, Carolina Power & Light Co., Raleigh, N. C., says 1977 business will be moderately good unless "government spending inflames inflation." This would bring on a new recession before the end of the year, he believes.

James D. McClary, chairman, Morrison-Knudsen Co., Inc., Boise, Idaho, looks for national economic gains in 1977, but he worries over lack of spending restraint by federal officials. He feels that inflation will be about seven percent in 1977.

Coy G. Eklund, president, The Equitable Life Assurance Society, New York, says: "The economy should continue to advance moderately in the fourth quarter on the strength of retail sales and possible capital spending advances."

Philip H. Burdett, president, Remington Arms Co., Bridgeport, Conn., says business prospects for 1977 are good, despite the danger of a resurging inflation. He finds that consumers have money and confidence, so things are looking up moderately.

Reassurance by the Federal Reserve System that it will work toward a gradual reduction of inflation.

Employment pickup.

Bullish retail business.

Declining interest rates.

Greater consumer confidence.

The grimmer side

• *What is the most discouraging aspect of the economy today?*

Some of the fears that those surveyed voice most often are:

Lack of public confidence in business.

Costly government regulations that are generally unproductive.

Legislation and court decisions that inhibit production of energy.

Continuing need to import more and more oil.

Too much government.

Threat of Congress passing various antibusiness bills that would substitute more government planning for free market forces.

Federal deficit spending.

Labor problems.

The possibility of inflation again increasing sharply, especially as the aftereffect of more expensive labor contracts.

The still lagging pace of construction.

High rate of unemployment.

The labor scene

• *What is happening in the labor situation at your company regarding pay, productivity, and attitude of employees?*

When answering this question, a majority of executives took a favorable attitude toward their own company's labor relations, many using phrases such as these:

Productivity up.

Attitude good.

Morale satisfactory.

No problems.

However, some answers are less complimentary:

Labor relations poor.

Productivity low.

Hefty pay increases awarded employees.

Mixed views

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how business will fare in the near future.

Frank T. Cary, chairman of IBM Corp., Armonk, N. Y., says: "The economy will rise moderately [in the final quarter of 1976], reflecting continued improvements in consumer spending and housing, and faster growth in capital spending."

Keith R. Potter, executive vice president of International Harvester Co., Chicago, believes the economy will level off. "Consumer spending is weakening," he says, "and capital goods purchases are running below expectations."

Harry J. Kane, executive vice president of Georgia-Pacific Corp., Portland, Oregon, sees the economy continuing to show moderate improvement, "because our recovery has been characterized by sound growth."

Francis E. Ferguson, president of Northwestern Mutual Life Insurance Co., Milwaukee, is optimistic, he says, "because of overall productivity and an increase of the number of those employed."

F. L. Knodle, general manager of Winpower Corp., Newton, Iowa, says the economy will "go up because inventories of products have been pulled in line with demand."

S. K. App, president of Wilkinson Co., Akron, Ohio, also agrees that the economy will go up. "There seems to be a growing confidence," he says.

Charles J. Pilliod, Jr., is chairman of The Goodyear Tire & Rubber Co., Akron, which with other major U. S. rubber companies recently underwent a four-month strike. Despite high costs to reach a labor settlement, Mr. Pilliod remains optimistic. He thinks the economy will improve "because private domestic investment should begin to supplement consumer spending."

Sales up

Most executives polled describe their sales in the first three quarters simply as "higher" or "lower." Others elaborate on the subject in their replies.

W. L. Wearly, chairman of Ingersoll-Rand Co., Woodcliff Lake, N. J., says that his company's sales earlier in the year were higher than in 1975, and he adds that he expects sales to continue to improve over last year's results.

B. K. Chao, manager of business economics, J. I. Case Co., Racine, Wis., says the economy is "pretty solid" and on course for further growth. He fears, however, that in another year the nation may be close to double-digit inflation.

William S. Hansen, president, Buffums, Inc., Long Beach, Calif., says 1977 could be troublesome for business in general because "consumers are becoming more selective." In his field, retailing, "stores need to be more accurate in fashion forecasting," he says.

Harley Shuford, Jr., president of Century Furniture Co., Hickory, N. C., says: "Sales are much better this year."

G. F. N. Smith, president of American Mutual Life Insurance Co., Des Moines, reports that his company's sales are substantially higher than last year, up about 25 percent.

W. M. Page, Jr., president of Osceola Shoe Co., Osceola, Ark., says his firm's sales have "improved substantially."

John K. Karth, director of market planning for All-Steel, Inc., Aurora, Ill., says his company's sales are 26 percent over last year's.

The months to come

As for final quarter sales, the outlook is promising.

Ira G. Corn, Jr., chief executive officer of Michigan General Corp., Dallas, notes that final quarter sales last year were "unusually good." Sales this fourth quarter, he adds, should also be "up, with the only negative being [bad] weather."

W. W. Callan, chairman of Central Freight Lines, Inc., Waco, Texas, says: "Final quarter sales of 1976, compared with 1975, will be up approximately ten percent. Of that amount, five percent will represent an increase in rates and the other five percent an increase in business activity."

Paul Batcheller, chairman of Zip Feed Mills, Inc., Sioux Falls, S. Dak., says he expects "final quarter sales to be about equal to 1975's. This is due to the drought and a lot of cattle leaving our area."

Chris F. Hammond, Jr., chairman of Great Dane Trailers, Inc., Savannah, comments that "1975 was a disaster for the truck trailer business because of government regulations on brakes. Our 1976 profits will be up about 500 percent."

This year's profit picture

Estimates of profits for the year 1976, compared with last year, include these:

Urban L. Doyle, president of Whiteway Manufacturing Co., Cincinnati: "Much better."

Lorna Mills, president of Laguna Federal Savings & Loan Association, Laguna Beach, Calif.: "An increase of 33 percent."

R. G. Brierley, chairman of Stearns & Foster Co., Cincinnati: "Up significantly."

Robert P. Gerholz, president of Gerholz Enterprises, Flint, Mich.: "Up 21 percent."

W. L. Booth, vice president-administration of Connecticut Light & Power Co., Hartford: "Down about ten percent. Costs have continued to go up, but rate relief has been out of the picture."

The request to comment on the pay, productivity, and attitude of their employees drew replies like these from executives who took part

Fred C. Kilguss, president, Excell Manufacturing Co., Providence, R. I., says that his firm will continue to add new equipment in 1977 to achieve better production. He is optimistic over the nation's economy and believes inflation will not top seven percent.

in the NATION'S BUSINESS survey:

Forrest C. Hedger, chairman of Northwestern Bank, Great Falls, Mont.: "Pay is up, attitude is good, productivity is level."

Peter Ley, president of Jamaica Water Supply Co., Lake Success, N. Y., says a labor issue with his company's employees was submitted to arbitration with this result: a 9.5 percent pay increase for 1976, and an 8.5 percent increase for next year.

Eugene C. Zorn, Jr., economist and senior vice president of Republic National Bank of Dallas, says: "Employment costs have been kept within planned goals. Labor market conditions have been favorable, and employees have been productive and content."

Investment outlook

Typical responses to the request to describe capital investment plans for 1977 include these:

Irwin F. Porter, executive vice president of Northern National Bank, Presque Isle, Maine: "We are planning an addition to our banking building about equal in size to the present structure. Plan to spend $1,300,000."

Harry C. West, chairman of Rockford Standard Furniture Co., Rockford, Ill.: "We may be building new elevators—a major improvement."

M. W. Brown, owner of Brown Engraving Co., Nashville, reports that his firm is considering building a new plant and investing in additional machinery.

T. J. Barlow, chairman of Anderson Clayton Co., Houston, says that his company will increase capital investments next year by 50 percent, with a large additional plant to be built outside the United States.

W. T. Chamberlain, president of the Brass Division of Anaconda Co., Waterbury, Conn., reports his division will increase spending and will install a new product manufacturing line.

W. H. Alexander, president of H. B. Alexander & Son, Inc., Harrisburg, Pa., says his firm will decrease capital investment next year, since the firm will have less need than it had in 1976 for additional equipment.

Future prospects

Looking ahead to business in 1977 brought assessments such as these:

G. R. Walker, chairman of Walker Forge, Inc., Racine, Wis., believes the next year looks "encouraging, but not exciting."

John L. Cowin, president of Cowin & Co., Inc., Birmingham, says prospects are "good, but our industry, coal mining, may not be typical."

Karl D. Emerson, president of Portland Pipe Line Corp., South Portland, Maine, does not feel that business next year will be "quite as good as 1976 business."

Many executives hedged their predictions, saying much depends on the outcome of the presidential election. In general, they believe that a Republican victory will mean a better climate for business than a Democratic victory.

However, C. E. Dephouse, president of Hersey Products, Inc., Dedham, Mass., says that although the elections will be important, he looks "for continued slow but healthy progress."

Joseph E. Quinlan, chairman of Peter Eckrish & Sons, Inc., Fort Wayne, Ind., looks for a good 1977, but one "somewhat dependent on political decisions coming out of the new Congress."

Robert J. Dulsky, president of Tax Corporation of America, Montrose, Calif., says: "1977 will start off well, but the advance will tend to slacken as the year progresses. However, we will make good headway at a controlled pace." □

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Succeeding Where Others Flounder

The evidence shows that W. Graham Claytor, Jr., knows the right way to run a railroad

If you saw Graham Claytor at the controls of an old steam locomotive, or running his antique toy trains at his home in the old Georgetown section of Washington, D. C., you would almost certainly think: There is a real railroad buff.

And how right you would be. W. Graham Claytor, Jr., is a railroad buff both on and off the job. His job: chairman and chief executive officer of the Southern Railway System.

The 64-year-old lawyer runs one of the nation's most successful railroads. The more other lines flounder or collapse, the more Southern seems to chalk up new financial gains and performance records.

Record profits

Over the past five years, Southern has been one of the most profitable of the nation's major railroads. Except in 1975, when earnings were hurt by the recession, the company has reported new record profits in every year since 1970.

Even in 1975, yearly earnings of $78.3 million on revenues of $839.6 million were the second highest in the 82-year history of the company.

Graham Claytor started out in life intending to be an electrical engineer. The Depression of the 1930's convinced him law was a better choice. A native of Roanoke, Va., he is a graduate of the University of Virginia and Harvard law school. He compiled one of the brightest academic records in the history of the law school.

As a young lawyer, he served as law clerk to two of the most brilliant men in American jurisprudence, U. S. Court of Appeals Judge Learned Hand and Supreme Court Justice Louis D. Brandeis. Later, in 1938, he joined the well-known Washington law firm of Covington and Burling. There he worked at the side of another famed attorney, Dean Acheson, later Secretary of State under President Harry S. Truman.

During World War II, Mr. Claytor served with the Navy and took part in one of the grimmer sagas of the Pacific fighting.

As skipper of the "U. S. S. Cecil J. Doyle," a destroyer escort, Lt. Cmdr. Claytor was on routine patrol near Peleliu Island one afternoon in July, 1945. To his knowledge, no major military action was under way within a thousand miles.

When a long-range Navy patrol aircraft flew overhead, Lt. Cmdr. Claytor radioed the pilot for a friendly chat. The pilot announced that he was flying some 300 miles to the north, where at least 150 American sailors were adrift in shark-infested waters.

Taking the initiative

On his own initiative, Lt. Cmdr. Claytor changed his ship's course and steamed, full speed ahead, for the scene of the disaster. Actual orders to take part in the rescue came an hour and a half later.

After the "U. S. S. Doyle" arrived on the scene, the crew was able to pick up almost 100 seamen. These men, and some 215 rescued by other ships, were the only survivors among 1,196 men aboard the heavy cruiser "U. S. S. Indianapolis" when it was torpedoed and sunk four days earlier.

Lt. Cmdr. Claytor's rush to the rescue, without awaiting orders,

saved an unknown number of seamen who might otherwise have perished.

After the war, Mr. Claytor rejoined Covington and Burling. He moved to the Southern Railway in 1963 as vice president-law and was elected president four years later. He was named chairman earlier this year.

At his office in the Southern Railway Building in downtown Washington, D. C., Mr. Claytor recently shared with a NATION'S BUSINESS editor his views on how to run a successful railroad.

"I get all the information that is available, and I get recommendations from people in whom I have confidence . . . . And then I decide what I want to do."

Why did you give up a lucrative law practice to become a railroad executive?

By accident, really. Charles Davison, who was vice president-finance at Southern Railway, asked me to have lunch with him one day.

"Look," he said, "the vice president for law at Southern is about to retire, and the company needs a replacement. How would you like to come over and take that job?"

"No way," I said. "I am not going to leave general practice to work for a company, not even a railroad."

"Well," he said, "think about it."

I talked to several friends who had stayed in private practice while also serving as house counsel for a company. I concluded that, if Southern wanted me on basically a half-time basis, I would be very interested.

I made it clear I would continue as a partner in Covington and Burling.

And this arrangement worked out?

In the beginning, yes. But I got more and more deeply involved in railroad work during those first few years. Also, I got more and more interested in what I was doing.

One day, Southern's President D. William Brosnan, who was reaching retirement age, asked me if I would be interested in being president of the railroad. I said, "Yes, I think it would be a great job. I accept."

When I was elected president of Southern, I resigned from Covington and Burling.

Had you always wanted to be a lawyer?

No, I was scheduled to be an electrical engineer. My father was an electrical engineer. I majored in math and physics and took mostly preengineering courses in getting my B. A. degree at the University of Virginia.

In 1933, the year I was graduated, we were in the depths of the Depression. My father said, "Look at what is happening to the engineers graduating from M. I. T. Those at the top of the class are getting contracts to go to Argentina or Japan for five years, and everyone else is going to work for the W. P. A. I do not think it is a good idea to go into engineering at this time."

The upshot was that I decided to go to Harvard law school. We agreed that, if I did not like it, I would transfer to M. I. T. So I went to Harvard, and I liked it. I got my law degree in 1936.

What was it like being a law clerk to both Judge Hand and Justice Brandeis?

These were two of the greatest men I have ever known, but they were very different.

Judge Hand wrote beautifully. His opinions were works of art. He was very down-to-earth, very human. And he was much influenced by Justice Oliver Wendell Holmes, whom he admired greatly. Like Justice Holmes, who had been a Union army officer, Judge Hand had a vocabulary that would have kept a top sergeant or a chief boatswain's mate on his toes.

What was your working relationship with Judge Hand?

I remember my first day.

He had a desk in the corner of his office for his law clerk. Over in another corner was a second desk, where all the records and briefs for cases under consideration were stacked.

He said, "Sonny"—he always called his law clerk Sonny, just as Justice Holmes did—"you see that pile of so and so? I have to read all of that.

"Now, I want you to get acquainted with everything in those records, check any cases that you think necessary, and do whatever re-

search you believe would be relevant."

Then he would say, "What I want you to do is answer the questions I will ask about those cases. You can tell me the answers, and we will talk about them. But do not submit to me any blankety-blank memoranda.

"I have enough blankety-blank stuff to read without reading what you write, too."

So those were the ground rules.

We would talk and argue the pros and cons of the issues.

He might say at one point, "Now, the plaintiff says this and the appellant says that. This is so much baloney, is it not? What do you think?" If I ventured an opinion, he might say, "That is baloney, too. I do not believe that."

On occasion he might agree.

These were wonderful give-and-take discussions. For a young fellow just out of law school, it was a great experience.

Did you recognize any of your contributions in Judge Hand's written decisions?

No, not one word that I wrote ever got into his opinions. After we had these long discussions, he would sit down and write his opinions in longhand on a lapboard. He seldom dictated.

How about Justice Brandeis? What was it like working for him?

His approach was completely different. He preferred his law clerks to submit memoranda. We had fascinating discussions, too, but he loved most to discuss the things that were going on in the world.

An important part of my job was to take all the petitions for *a certiorari* coming before the Supreme Court and write a memorandum of not more than two pages on each case. I would analyze and summarize a case and recommend whether or not it should be heard.

I would normally give the memoranda to Justice Brandeis the evening before his conferences with the other justices.

Often, he would communicate with me almost entirely in writing about a case. He would give me a note that might say, "We have been assigned X vs. Y, docket number so and so, which is to be affirmed. Please draft an opinion."

So I would sit down and draft an opinion. When I gave it to him, he might rewrite it, taking quite a different approach. Sometimes he would send it back with a note, "Check this" or "Embellish this with the appropriate citations."

How did he treat your contributions?

Near the end of the term, we assigned the opinions in a few cases that were pretty routine—open and shut. Opinions that I drafted in one or two of these came out essentially as the court's opinion. That was, of course, very satisfying to a law clerk.

Did you learn some things from these experiences that were useful to you in later life?

Oh, yes. Apart from the invaluable experience of working with two really great men, I learned what kind of arguments to make and what kind not to make in a court brief. I learned that you do not want to make 15 points why your side should win. You learn to get rid of all the secondary points and concentrate on the essentials.

That technique is known to any good appellate lawyer, but this was a quick and effective way to learn it.

Engaging in the decision-making process in both courts, however, was even more valuable to me.

Has this helped you in the railroad business, as well as in law?

Yes. Going at decision-making and problem-solving in an organized way is valuable in any business.

You went with Covington and Burling right after these two stints as a law clerk?

Yes. It was a far smaller firm in those days than it is today. But I thought it was the best law firm in Washington, even then.

Is that when you got to know Dean Acheson?

I worked under Dean Acheson during those early days with the firm.

Then World War II interrupted your career?

Yes, I got a commission in the Navy in September, 1940, and was called to active duty the following January, almost a year before Pearl Harbor

Your wife was a Navy officer, too?

Yes, she was in the first class of WAVES graduated from the training school at Smith College in the autumn of 1942.

Is it true that at some point she outranked you?

No, we had equal rank, lieutenant commander. But I had a senior date of rank, since my promotion to lieutenant came first. We were not married until 1948, when both of us were still in the Naval Reserve, but no longer on active duty.

On the business side of running a railroad, you place great stock in productivity at Southern, do you not?

Yes, this tradition goes back to the early 1950's. Bill Brosnan and the company were absolutely committed to improving the productivity of labor, because labor was the most uncontrollable expense we had. Management felt that, unless the company could improve productivity and use fewer people to run the railroad, we were going to be in more and more trouble.

Mr. Brosnan believed in substituting things for people, I am told. What were some of those things?

Southern was the first major railroad to be completely dieselized, in 1953, and one of the first to use fully mechanized roadway maintenance gangs. That was in 1953 also.

Some ten years later, Mr. Brosnan developed trains with crewless, radio-controlled extra locomotives located in the middle of the train. That made possible our unit coal train operations in difficult mountain terrain.

Under Mr. Brosnan's leadership, Southern also designed a whole new line of freight cars to meet customers' needs and to save labor. This has produced a lot of business for us and saved us a lot of money.

I should point out that our present president, Stan Crane, and our executive vice president for marketing and planning, Bob Hamilton, both had a lot to do with these innovative developments.

How many people does Southern employ?

Our peak year was 1923, when we had 63,000 employees. In 1946, the total was 48,113. Today we are down

"The most important factor is to have people in entirely different parts of the railroad all working for common goals."

to 20,840. We move a lot more freight now, too, than we did in those earlier periods.

You take pride in a top-level management committee. How does it work?

It dates back several years prior to my election as chairman. The committee is composed of the heads of our four company divisions, plus Stan Crane and myself. We meet frequently and discuss all matters of systemwide importance.

Now, we do not vote on these matters; I decide, in the end.

But I make the decisions with the benefit of input from the other members of the committee, who naturally receive input from the people under them. It is a matter of bringing to bear on a problem all the expert judgment that we can get.

This team approach is responsible for a good deal of our success in recent years.

Are any special techniques employed by you and the committee?

I think the most important factor is to have people in entirely different parts of the railroad all working for common goals instead of each division pursuing its own private goals.

What goals are established by the committee?

We have a series of goals that are reviewed each year. In addition, we operate under a five-year plan that is revised and moved forward every year. That five-year plan is generated from the bottom on up.

Would you explain?

The various aspects of the plan are developed at the working level of each division. These parts of the plan are reviewed all the way up the line. When all the parts reach the top-level management committee, they are put together in one unified plan.

The benefit of this method is that everyone plays a part in drawing up the plan, and all feel a commitment to it. It is not an imposed plan; it is a self-generated plan.

So everyone gets the credit or the blame?

Yes, if something goes wrong in one area, there is no one to blame but the people who contributed to that part of the plan. They cannot say, "Those fellows up there in Washington set this thing up, and they do not know what they are doing."

Would you give some examples of the benefits from your team approach?

Say there were no such approach and a train goes off the track. The superintendent arrives on the scene. He is responsible for running the train, and his first job is to see if the derailment is caused by a defective track, by a broken axle or the like, or whether the train crew was to blame.

Then the roadbed maintenance people come in. And the mechanical people. Each wants to protect his own interests, and what you wind up with is everyone trying to put the monkey on the other fellow's back.

As a result, you have trouble finding out what really caused the derailment.

We do it differently.

I really think that at Southern all these fellows now work together. We not only usually find out the cause of the accident, but we come up with ways to prevent a reoccurrence.

Can you give me another example of how Southern's team approach works?

Let us suppose a railroad salesman is calling on a shipper who tells him, "Look here, if you can get this car to Atlanta in 16 hours from the time I release it, I will give you my business."

The salesman agrees to the deadline.

But when the salesman gets to the transportation department, he is told, "There is no way we can get that car to Atlanta in 16 hours." Naturally, this results in a big row. The chances are that the railroad will lose the business altogether.

That is the way it could be handled, and often is, without the team approach.

But with us, the salesman and a transportation representative normally call on the shipper together. The two determine on the spot whether the delivery can be made, or at least they jointly work out a practicable solution. Both men have the same objective.

The key thing in achieving this kind of cooperation is free and effective communication across departmental lines.

What kind of people does Southern hire?

We try to find people who will fit in and do the best job possible. We put them through training programs in which they spend time in almost every department. Engineers may start out working on the tracks. A business school graduate may get his first assignment in the marketing department.

Once employees are hired, how do you motivate them?

We quickly try to get them interested in the team effort of making the company the finest in the world.

We pay our people very well in comparison with other railroads and

with industry generally. We keep a running comparison of average salaries at various levels, and we try to stay in the top 25 percent of that, generally speaking.

How about young executives who show promise? What do you look for?

Ability, intelligence, and the knack of dealing with other people. They have to show they can learn to manage and manage well. This means getting maximum productivity and maximum cooperation from the people they work with.

How can Southern tell when people are contributing their share to the overall effort?

We can look at a department and tell whether it is doing well or poorly. Maybe it is running over its budget. Or we find equipment lying around where it should not be. Sometimes we may spot a department that is not rendering the kind of service expected of it.

You can find the sore spots.

Do you have any special techniques to help you make decisions?

No, I do not think so.

I get all the information that is available, and I get recommendations from people in whom I have confidence. I put these together, and then I decide what I want to do.

Do you see any great changes in the years ahead in the way large businesses will be run?

The top management of every large company will have to devote more and more time to the problem of living with government, of understanding government, and of influencing government.

We will all have to learn how to be effective in keeping the government from doing fool things that could put us out of business.

What do you consider government's proper role vis-à-vis business?

Every business is different.

We are a regulated industry. I think we are grossly overregulated. But we have to be regulated, to an extent.

I am not one of those who think you should repeal the Interstate Commerce Act and totally deregulate common carrier transportation. The whole concept of the common carrier is based on regulation.

It is certainly regulation that requires you to carry anything that is offered at published rates that are the same for everyone. You eliminate this requirement, and I think you destroy transportation as we know it today.

There is growing talk of nationalizing American railroads. What is your opinion?

The cost to the taxpayer would be absolutely phenomenal. Look at what has happened in other countries.

Take Southern Railway alone. On the basis of the experience of most nationalized railroads, the cost of running Southern as a government-owned railroad would probably be several times our railway operating revenues, instead of some 70 percent of these revenues, as it is today.

What is the future for the railroad industry?

I think it can be a very healthy industry.

The biggest problem we face is to get across to government the thought that, if you want a privately owned and operated transportation system, you have to take drastic action to reduce existing subsidies to competing modes of transportation.

Why were you a prime supporter of Conrail, the quasi-governmental agency that took over the bankrupt northeastern railroads?

I supported Conrail because it appeared to offer the best chance of restoring viable railroad service to the Northeast under private ownership and operation.

At a minimum, it should buy time during which both Congress and the industry can attempt to resolve the basic problems which led to the Penn Central's difficulties in the first place.

Do you ever yearn to return to the courtroom?

No, I have done that, and it was great fun.

I would not have missed the years I practiced law for anything in the world. But running a railroad is fun, too. □

REPRINTS *of this article are available from Nation's Business. See page 24 for details.*

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Employee Benefits: Now a Third of Payroll Costs

Employers' expenses for such extras as pensions, insurance, and vacations are rising almost twice as fast as wages, a new survey shows

EMPLOYEE BENEFITS, commonly called fringe benefits, will cost American employers about $300 billion this year. This record sum pays for vacations, paid holidays, sick leave, insurance, pensions (both government and nongovernment), and numerous other benefits. Costs of these benefits equal almost one third of total payroll dollars.

Employee benefit costs are growing almost twice as fast as wages. Benefit costs grew 165 percent between 1965 and 1975, while wages and salaries increased 85 percent.

Employers spent an average of $76.62 per week for employee benefits last year, compared to $28.88 per week in 1965.

A National Chamber survey

The size and nature of employee benefits is analyzed in a new survey of 761 manufacturing and nonmanufacturing firms conducted by the Chamber of Commerce of the United States. This is the 15th biennial study by the National Chamber, which has traced the growth of employee benefits since 1947.

Employee benefit costs vary widely from company to company and from industry to industry, the survey shows.

Thirty-five firms report their benefit costs are less than $35 per employee per week, while 61 firms report their costs exceed $115 per employee per week.

Employee benefits average $101.54 weekly in the petroleum industry, $96.31 in the chemical industry, and $96.21 for public utilities.

Among the lower-paying industries are hospitals, where weekly employee benefits average $42.38; textile products and apparel, where employee benefits average $41.98 per week; and department stores, paying an average of $41.17 weekly per employee.

The costliest benefits

The two principal types of benefits are:

1. Wages paid for time not worked, including vacations, holidays, sick leave, coffee breaks, and rest periods. These benefits total an overall average of $29.71 per employee per week.

2. Nonwage payments for pensions, insurance premiums, Social Security taxes, unemployment compensation, profit-sharing payments, and similar benefits, totaling $46.91 per employee per week.

The survey covered more than 25 employee benefits. Four of these benefits—government pensions, private pensions, insurance premiums, and paid vacations, each cost more than $11 per employee per week. Together, these four account for more than 60 percent of all employee benefit payments.

Employer Social Security taxes for old-age, survivors, disability, and health insurance are, overall, the single most expensive employee benefit, averaging $12.23 per employee per week. This does not include an equal amount withheld from the employee's wages.

These Social Security taxes have skyrocketed. In the past ten years, Social Security taxes rose 291 percent, the highest percentage increase for any major employee benefit. The maximum employer Social Security tax was $174 per employee in 1965 and $824.85 in 1975. Now $895.05, it will be almost $1,000 in 1977. Social Security taxes are tied to the wage level and increase automatically as wages increase up to a cutoff point. In 1976, the cutoff point is $15,600. In 1977, the cutoff point will increase to about $16,300 a year, Washington estimates.

Private pensions are the next most expensive benefit, averaging $11.92 per employee per week. The petroleum industry's pension payments are highest, averaging $23.98 weekly per employee, followed by public utilities' payments of $22.37 per employee per week.

Lowest pension payments are by department stores, where payments average $3.85 per employee per week, and by hospitals and the textile and apparel industry, where payments average $4.38 weekly per employee.

Insurance payments double

Employer payments for private (nongovernment) life, accident, and hospitalization insurance average $11.19 per week per employee. These costs have increased 216 percent in the past ten years.

Paid vacations average $11.15 per employee per week. Employee vacations average 13 days a year for all industries, but range from 17 days for the petroleum industry to nine for the textile and apparel industry and for hospitals.

Paid coffee breaks, rest periods, washup time, and other on-the-job time paid for but not worked cost employers an average of $7.85 per week per employee. This time off averages 17 minutes a day, up from 12 minutes a day ten years earlier.

Paid holidays average eight days a year and cost employers $7.23 per week per employee. The transportation equipment, electrical machinery, and chemical industries average ten paid holidays a year, while department stores average five.

Other employee benefits

Other employee benefits and their average cost per employee per week are:

Workmen's compensation, $2.71.

Paid sick leave, $2.58.

Profit-sharing payments, $2.37.

Unemployment compensation taxes, $2.19.

Special bonuses, including Christmas bonuses, suggestion awards, and the like, 90 cents.

Contributions to employee thrift plans, 60 cents.

Salary continuation or long-term disability payments, 44 cents.

Employee meals furnished free, 40 cents.

Discounts on goods and services purchased from the company by its employees, 35 cents.

Several of these benefits are reported by only a small number of employers. Thus, costs for those companies are substantially greater than the average amounts given above.

For example, profit-sharing payments average $2.37 per employee per week for all companies in the survey, but average $11.85 per employee per week for companies which have profit-sharing plans. □

"EMPLOYEE BENEFITS 1975," *a 32-page report, can be purchased postpaid for $3.50 per copy from the Chamber of Commerce of the United States, 1615 H St. N. W., Washington, D. C. 20062. Reprints of this article are available from Nation's Business.* *See page 24 for details.*

Average Weekly Employee Benefit Costs by Industry—1975

	Per employee per week
ALL INDUSTRIES	$ 76.62
MANUFACTURERS:	
Petroleum industries	101.54
Chemicals and allied industries	96.31
Primary metal industries	92.00
Transportation equipment	88.12
Machinery (excluding electrical)	80.04
Rubber, leather, and plastic products	75.29
Electrical machinery, equipment, supplies	73.73
Food, beverages, and tobacco	73.50
Fabricated metal products (excluding machinery and transportation equipment)	71.60
Stone, clay, and glass products	71.04
Printing and publishing	69.87
Instruments and miscellaneous products	69.04
Pulp, paper, lumber, and furniture	66.29
Textile products and apparel	41.98
NONMANUFACTURING:	
Public utilities	96.21
Miscellaneous nonmanufacturing industries (mining, transportation, research, hotels, etc.)	84.31
Banks, finance and trust companies	72.02
Insurance companies	71.48
Wholesale and retail trade	53.75
Hospitals	42.38
Department stores	41.17

Average Weekly Employee Benefit Costs, per Employee

	1975	1965	Percent change
Old-Age, Survivors, Disability, and Health Insurance taxes	$ 12.23	$ 3.13	+291
Private pensions (nongovernment)	11.92	4.35	+174
Insurance (life, accident, hospitalization, etc.)	11.19	3.54	+216
Paid vacations	11.15	4.85	+130
Paid rest periods, lunch periods, washup time, etc.	7.85	2.88	+173
Paid holidays	7.23	3.10	+133
Workmen's compensation	2.71	0.87	+211
Paid sick leave	2.58	0.83	+211
Profit-sharing payments	2.37	1.29	+ 84
Jobless compensation taxes	2.19	1.58	+ 39
Christmas or other special bonuses, suggestion awards, etc.	0.90	0.52	+ 73
Contributions to employee thrift plans	0.60	0.12	+400
Salary continuation or long-term disability	0.44	N.A.	N.A.
Employee meals furnished free	0.40	0.33	+ 21
Discounts on goods and services purchased from company by employees	0.35	0.25	+ 40
Other employee benefits	2.51	1.24	+102
TOTAL EMPLOYEE BENEFITS	$ 76.62	$ 28.88	+165
AVERAGE WEEKLY EARNINGS	$216.42	$116.94	+ 85

N.A. Data not available.

A Third Century Look at the Balance Between Government and Business

> If we are going to achieve the kind of balance in our society that is needed for the good of our country, it will require a deeper involvement on the part of business in the political process.

BY HOWARD J. MORGENS

There are more than 140 countries in the world today. Only a handful can look back on a long, unbroken history of freedom.

So, for the United States of America to have survived for 200 years as a free nation is an achievement which gives deep meaning to our bicentennial celebration.

This year also marks the 200th anniversary of an event which had a profound influence on our country, the publication in Edinburgh, Scotland, of a book called "The Wealth of Nations." It was written by Adam Smith, who at that time was an obscure scholar.

Adam Smith is widely regarded as the father of the free market system, or of what we loosely term the private enterprise system.

Two types of freedom

Just as the Declaration of Independence expressed the ideal of political freedom, so "The Wealth of Nations" expressed the ideal of economic freedom. In America, these twin ideals—political freedom and economic freedom—took root and flourished.

These ideals combined to produce in our country a burst of inventiveness and energy such as the world has never seen in any other nation or in any other 200-year period in all history.

A need for balance

The spirit of America, the mood of America—the ingenuity of the American people to resolve problems and the energy of the American people to do so—emanated from a balance of political freedom and economic freedom.

Today, however, in this first year of our third century, many of us are deeply troubled by what we perceive to be a growing lack of balance in our society. Two things have happened:

- Our political freedoms have expanded too much. This has resulted in a decline in public morals and an increase in crime.

- At the same time, our economic freedoms have been contracted too much. This has resulted in a gradual sapping of the vitality of the American economic system.

Articulate critics of our economic system have been responsible in large measure for bringing about this lack of balance. Some of their criticisms are worth examining.

One thing they claim is that the free enterprise philosophy is no longer relevant. They point out that Adam Smith never heard of today's large corporations, multinational operations, big labor unions, and vast metropolitan areas. He wrote at a time of small businessmen and small

Mr. Morgens was chief executive of The Procter & Gamble Co. for 17 years, holding first the title of president and later that of chairman. He is now chairman of the Procter & Gamble board of directors' executive committee.

merchants. The modern world, the critics hold, calls for a different sort of economic thinking.

It is true that much in Adam Smith's book is outdated. However, the basic economic laws which he identified are still valid. As business executives, we witness these economic laws at work every day. We, after all, are in a better position than most people to know the rigorous discipline of the marketplace.

Whether we represent large companies or small, we know that if our competitors can produce better products or services than we can—or can produce them at a lower cost—they will survive and prosper while we fail. And we know, too, that this endless competition to produce and sell better products and services creates higher standards of living for everyone and adds to the wealth of the nation.

Also, the critics of our economic system point to the fact that we have experienced the worst recession and the worst inflation in a generation, and they attribute this to a basic flaw in the functioning of the free market system.

Social injustice?

Business cycles constitute a weakness in our business system. One might point out, however, that even in recession we had the strongest economy and the highest standard of living the world has ever seen. And one might also suggest that inflation—a primary cause of unemployment and recession—has its main roots in overspending by government and not in the market system itself.

The critics also point out that there are many areas of the economy with which the private enterprise system cannot cope. Again they are right—at least, in the short run. Under today's circumstances, for example, it is difficult to see how the free market system by itself can rebuild our eastern railroads, solve our mass urban-transit problems, or provide environmental protection, nondiscrimination standards, and health standards.

In addition, the critics claim that the free market system creates what they regard as social injustice. Well, it is, in Winston Churchill's words, "a system of unequal prizes." It rewards those who can build and sell better products and services. It favors the innovative and the hardworking. Without incentives, there might be equal rewards for all, which some would define as social justice. But the vitality of the whole economy would suffer, and the total amount to be divided would steadily diminish.

Changes the critics want

The free market system does have a number of shortcomings. Like democracy, like the free press, and like all our other freedoms, free enterprise is a rather untidy affair. But, like all our freedoms, it also has great flexibility and strength.

It is also in order, I believe, to take a look at what the critics advocate should be done to change our present economic system. The changes most often proposed call for more and more government regulation of business, more and more government controls, and more government planning of the economy.

As we know, we already have a great deal of government control of the economy. When one talks about free enterprise or about free markets today, one talks about the freedom that exists within a maze of laws and government regulations. In a sense, there is no such thing today as free enterprise, in the classic meaning of the phrase. However, the government controls we now have are not enough to satisfy the critics. They want the government to regulate the economy even more.

Rebutting the proposals

We might say in response to what they propose that, like the free market system, government in a free country is an untidy affair. Government regulations also have a lot of shortcomings.

Second, we might point out that the government does not seem to be able to regulate its own affairs very well.

To illustrate this:

- The government's chronic deficits create inflation. Inflation does not create wealth or well-being, either for the nation or the individuals in it. Inflation destroys wealth. It hurts the poor most of all, so it, too, might be called socially unjust. People in government surely know all this, but they don't seem to be able to do very much about it.

- Another example is the way government starts huge social programs, with no idea of what they will cost in the future. It institutes untried, untested programs nationwide, without experimental efforts in a few areas. Program upon program, after immense cost, falls short of the desired result. No management in business could survive failures such as these.

- Then there are the examples provided by those sectors of the economy which have been most subject to government regulation. They are usually the areas which have ended up in the worst condition, such as the postal service, the railroads,

> "Some government regulation of the economy is clearly necessary and desirable.... The problem today is one of balance between regulation, on the one hand, and freedom of initiative and enterprise on the other."

the airlines, natural gas, and the public utilities.

Those who want more regulation of business argue for a planned economy—planned government. Wouldn't this argument be more convincing if government could plan its own affairs a little better?

It might also be pointed out that the government bureaucracy is already out of control—growing by leaps and bounds. It has been said that whenever Congress sees a problem, it tries to solve the problem by throwing sums of money in that direction.

It might also be said that, when Congress sees a problem, it tries to solve the problem by throwing a law at it. Then government often sets up an agency to administer that law. The law itself is frequently vague and subject to different interpretations, so the government agency has a great deal of latitude in enforcing the law.

Regulations multiply

The agency sets up elaborate regulations which often go far beyond what Congress intended.

Over the years, these regulations develop a life of their own, evolving, growing, overlapping, and often conflicting with others. Regulations breed other regulations. And government grows and grows.

Can the record of government to date really lead anyone to believe that still further government control of the economy is desirable? That more government agencies to regulate business are desirable? Or that the government is capable of planning the economy?

Nonetheless, there are points to be made on both sides. Some government regulation of the economy is clearly necessary and desirable. And our business system certainly will have a lot more to contribute to the vigor of our country in its third century if it is not too hampered by unnecessary and undesirable regulation.

The problem today is one of balance between regulation, on the one hand, and freedom of initiative and enterprise on the other.

It is not easy to achieve a proper balance. But, for the good of our country, we must work to achieve it. How do we go about it?

First of all, business must maintain a high standard of ethics and obey both the letter and the spirit of all laws. Business must do this no matter how mindless, frustrating, or destructive some of the laws and regulations may seem to be. Business can and should work to change bad laws, but while they are on the books, business should comply. Business has not always done this.

Setting an example

It is not enough to point out that businessmen are, by and large, as ethical as lawyers, government officials, or other people in our society. Businessmen must set an example—must lead the way. If we are going to win the confidence of the public so that our work for a better balance can be credible and respected, we simply must do this.

Second, we must recognize that the pendulum has already swung too far in the direction of government control and regulation of business. Things are now way out of balance. Our country is clearly in danger of losing its dynamic thrust because of this imbalance.

If we are to stem this tide, business must organize to work in detail—regulation by regulation, law by law—to persuade government people to remove those controls which should be removed, to modify those which need to be changed, to improve the execution of those which should not or cannot be removed completely.

And, business must, above all, convince government people not to adopt additional unwise laws and regulations.

At the same time, let us not fool ourselves. Our political democracy does not often lend itself to the notion of wise, public-spirited individuals engaging in reasoned discussion of the facts in order to make sensible decisions. We should work on a highly organized basis with everyone in government that we can, and I believe that some good surely will come of it. But we should be prepared to go further.

Into the political arena

If we are going to achieve the kind of balance in our society that is needed for the good of our country, it will require a deeper involvement on the part of business in the political process. The traditional way to achieve a balance in America is for each side to fight hard in the political arena for what it believes is right. A compromise—or a balance—usually results from this type of struggle. If businessmen shrink from such political involvement, I am afraid they will lose, and the country will lose also.

Specifically, business must do everything within its power to communicate with Congress and to let Congress know where it stands on current issues and the reasons for its views. Labor engages in lobbying. The environmentalists engage in it. The consumerists engage in it. And so do many other organized groups.

Lobbying merely means representing one's views. It is a proper and necessary part of the political process, and business should not be shy about working in partnership with Congress for the good of the economy and the good of the country.

Going to the public

Businessmen must also be prepared to go to the public—directly and through political candidates who believe as we do. This, too, is part of the political process in America. In doing this, we should not pursue narrow business interests, but should support the broad public benefit that will come from a better balance between the restrictive power of big government and the freedom of initiative and enterprise.

The balance will, of course, never be perfect. Political philosophers for centuries have tried to define the perfect balance between government and the individual, between regulation and freedom. The perfect balance between government control and freedom of initiative in the economic area is no less difficult to define precisely.

Still, even though the balance may never be perfect, it can clearly be a great deal better than it now is. And, if our country, in its third century, is to retain the dynamic qualities which have made it the hope of the free world, the businessmen of America must do the job.

No one else can do the job. No one else will. □

THIS *article is based on a speech to the Sales Executives Club of New York. Reprints of the article are available from Nation's Business. See page 24 for details.*

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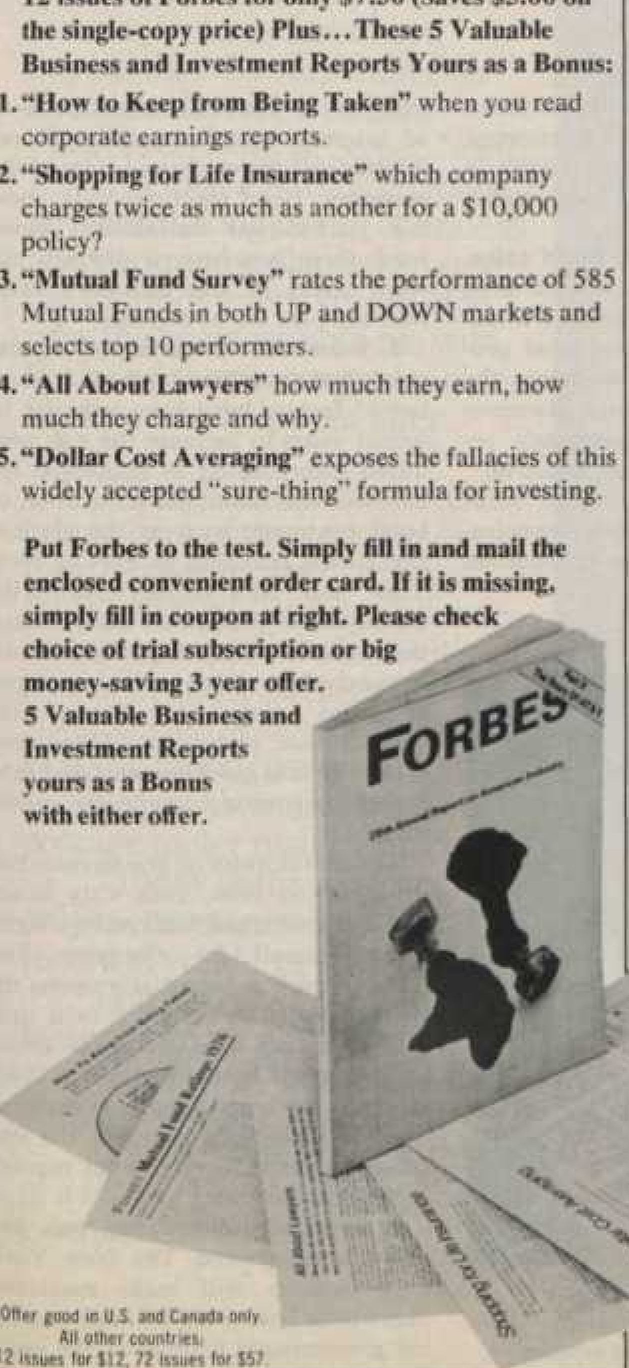

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ECONOMIC VIEWPOINT

Why the State and Local Spending Spree May End

Public resistance to higher taxes and new bond issues should help tighten government purse strings on the state and local scene, an expert says

BY DR. ROGER KLEIN

STATE AND LOCAL government spending has been America's number one growth industry. It rose from 8.2 percent of gross national product in 1955 to 14.8 percent in 1975. But now that the New York City financial crisis has made front page news, and with a growing concern about the economic viability of some of our major cities, a change in direction can be expected.

If so, state and local government spending not only will probably fall from the ranks of the nation's leading growth industries but may become one of the nation's lagging industries.

Because it takes time to adjust to changing trends, the transformation will take place gradually, but the direction seems clear. At least five factors will be pushing the state and local government spending growth curve downward.

1. Resistance to higher taxes. "Government," as a "New York Times" columnist once said, "expands to absorb revenue and then some." Consequently, slowing down the growth in state and local government revenue will be a key factor in slowing down spending.

According to an analysis by the Tax Foundation, only 13 of the 43 state legislatures meeting this year had proposed tax increases on their agendas. If all these proposals were to pass through the legislative process, they would add $1.7 billion, or two percent, to the tax receipts of state governments. This compares with a growth in state government spending that averaged 14 percent in the period between 1965 and 1970 and ten percent over the past three years. This means either more borrowing, which is not likely, or a slowdown in the growth of state and local spending.

2. Voter resistance to bond sales. In 1975, the proportion of bond sales defeated by the voters reached a record 71 percent. State and local governments have been avoiding the voters on bond decisions whenever possible, since the electorate's response has been primarily negative.

The reason for the record turndown in 1975 is obviously complex, and at least part of the explanation may lie in the relatively high level of interest rates on tax-exempt securities and the weakened state of the economy. Bond elections data show big year-to-year variability. However, there has been a distinct upward trend in the turndown ratio over the past ten or so years.

Dr. Klein is director of economic reseach for the Securities Industry Association, whose members conduct most of the nation's securities trade.

3. Increased uncertainty in the municipal securities market. A number of factors have been working in recent years to increase the risk premium incorporated in municipal securities. The unilateral abrogation of bond contracts, such as the abrogation of the covenant in Port of New York and New Jersey Authority bonds which prohibited the port authority from subsidizing mass transit, has caused investors in the municipal securities market to demand increased risk premiums. Abrogation of contracts is quickly translated into higher borrowing costs in the credit markets.

The moratorium on the payment of principal on New York City notes and the municipal bankruptcy legislation passed by Congress last April—which substantially opens up the option of bankruptcy to a municipality—all have the same effect on municipal borrowing costs: They increase the costs. Higher borrowing costs are likely to dampen the enthusiasm for using the bond market to finance spending.

4. Short-term borrowing has become a dirty word. The New York City problem will make excessive short-term borrowing by state and local governments a thing of the past. Between 1966 and 1975, such short-

WHY BOB RYERSE USES A PITNEY BOWES POSTAGE METER TO MAIL AS FEW AS FIVE LETTERS A DAY.

For 25 years now, the people of Simcoe, Ontario, have been buying their flowers from Bob Ryerse at Ryerse Brothers Flowers on Norfolk Street, North.

The place is a landmark with its breathtaking bloom of azaleas and geraniums planted around the grounds every spring. Bob runs the business with his wife Barb and their teenage daughter, Shelley, who helps out after school.

When Bob and Barb aren't taking care of their customers, they're taking care of their outgoing mail. Correspondence, statements and invoices—it's all essential and it all has to get out. As small as the flower shop is, Bob still found plenty of room to misplace or lose his stamps.

So just about five years ago, Bob and Barb got themselves a Pitney Bowes Touchmatic* postage meter mailing machine.

"Today getting the mail out every day is an easy job," says Bob. "My Touchmatic not only meter stamps and moistens the envelopes fast, but it even keeps an automatic record of what I've spent on postage for the year."

Bob also likes the way the meter stamp can speed his mail through the post office faster, since it's already been postmarked, dated and cancelled.

"Best of all," concludes Bob, "I've never lost, torn or misplaced a meter stamp. And with my postage meter, I always have the right denomination."

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term borrowing grew at a compound annual rate of 16.1 percent compared to a growth in long-term borrowing of 9.3 percent.

The house of cards in New York City came tumbling down primarily because of the city's inability to roll over its short-term debt. This has caused investors to shy away from short-term debt, and issuers to refrain from issuing it.

Indeed, during the first six months of 1976, the volume of short-term borrowing fell by 23.1 percent and long-term borrowing grew by 15.4 percent when compared with 1975. A large portion of the big growth in long-term borrowing has been to refinance previous short-term borrowing. With less access to short-term credit, municipal budgets are more likely to be balanced in both theory and fact.

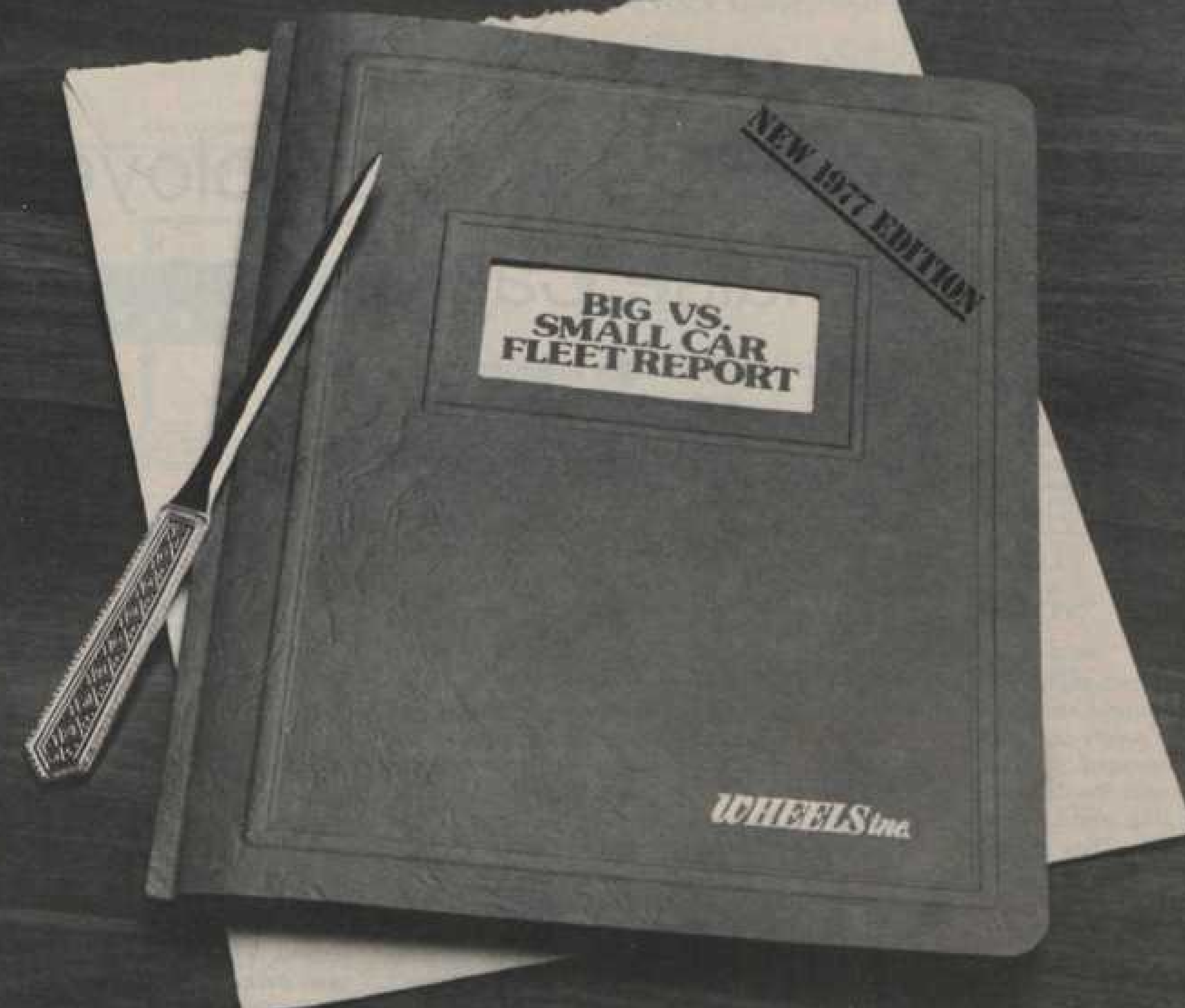
5. The changing nature of the demand for public goods. The dramatic decline in the school-age population will slow down the increase in expenditures for education, historically the fastest-growing segment of state and local government spending. Furthermore, the growth of suburban areas will taper off.

During the 1950's and 1960's, the rapid growth of suburban areas created a high demand for roads, water systems, and other capital expenditures. These reduced demands for public goods should show up in slower growth for state and local government spending.

The impact of all these factors will show up initially in those areas of the country where the immediate financial and economic problems are the most pressing.

New York City, for example, expanded its payroll by 5.1 percent between 1970 and 1974 while private employment in the city fell by 9.6 percent. In 1975, the city reduced its work force by 15 percent, the first reduction in city payrolls since 1935, and further cutbacks were announced for 1976. New York State is going through a similar exercise.

The outlook for many of our large cities is not bright. As a recent University of Chicago study pointed out, "New York is not alone." But the impact of the cities' problems on the state and local government sector in general is clear: There will be a big slowdown in the rate of growth of spending. ☐



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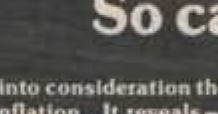

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How to Motivate Your Employees and Raise Capital, Too

BY JOHN H. CRICHTON and ROBERT A. MANLEY

Should your business join the movement toward employee stock ownership plans?

THE TWO MOST PRESSING challenges business executives face today involve people and money.

Personnel managers are keenly aware of the difficulties of recruiting, training, and holding competent employees. They also face a continuing challenge to build employee concern for the company's welfare.

Money managers, meanwhile, struggle in an increasingly competitive arena for capital to meet investment needs. Inflation and an uncertain equity market have forced most public companies to rely more and more heavily on debt financing.

Many business executives are now taking a close look at an increasingly popular technique for easing both people and money problems with a single step: establishment of an ESOP, or employee stock ownership plan.

No cost to employees

Basically, an ESOP is a combination corporate financing tool and employee benefit program. Employees acquire an equity interest in their company at no cost to themselves. A corporation acquires a new source of capital at a cost far more favorable than available in regular money markets. The company also gains by having its employees become part owners, with a direct stake in increased productivity and efficiency. Such workers generally have a lower turnover rate.

At the heart of an ESOP is an employee stock ownership trust, which is established by the corporation and run by company-appointed trustees, usually a three-member committee. The corporation makes annual, tax-deductible contributions to the trust.

The tax advantages of an ESOP derive from the plan's status under federal law, particularly the Employee Retirement Income Security Act of 1974, as an employee benefit. Specifically, employees must be the primary beneficiaries of an ESOP.

A corporation should not consider establishing an ESOP unless the company is profitable and has, or desires to have, a deferred compensation plan for employees.

The corporation should also have an annual payroll of at least \$200,000 covering eligible workers. Under the law, annual company contributions to the ESOP trust generally cannot exceed 15 percent of payroll, and yearly payments under \$30,000 are not big enough to carry out the goals of providing employee benefits and a new source of capital for the corporation. If a company combines a money-purchase pension plan with an ESOP, contributions can go to 25 percent of payroll.

Varied financing possible

There are various methods of financing ESOP's. A corporation that has established a plan might launch it with a tax-deductible contribution of cash, of stock, or of a combination of both.

If given cash, the trust could use the funds to buy newly issued stock directly from the company. Or the trust could buy outstanding shares from shareholders in private sales or on the open market.

Other types of securities, including government bonds, may also be purchased. The plan is designed, however, primarily for purchase of stock of the company that founded the trust, and shares eventually distributed to workers must be those of their own company.

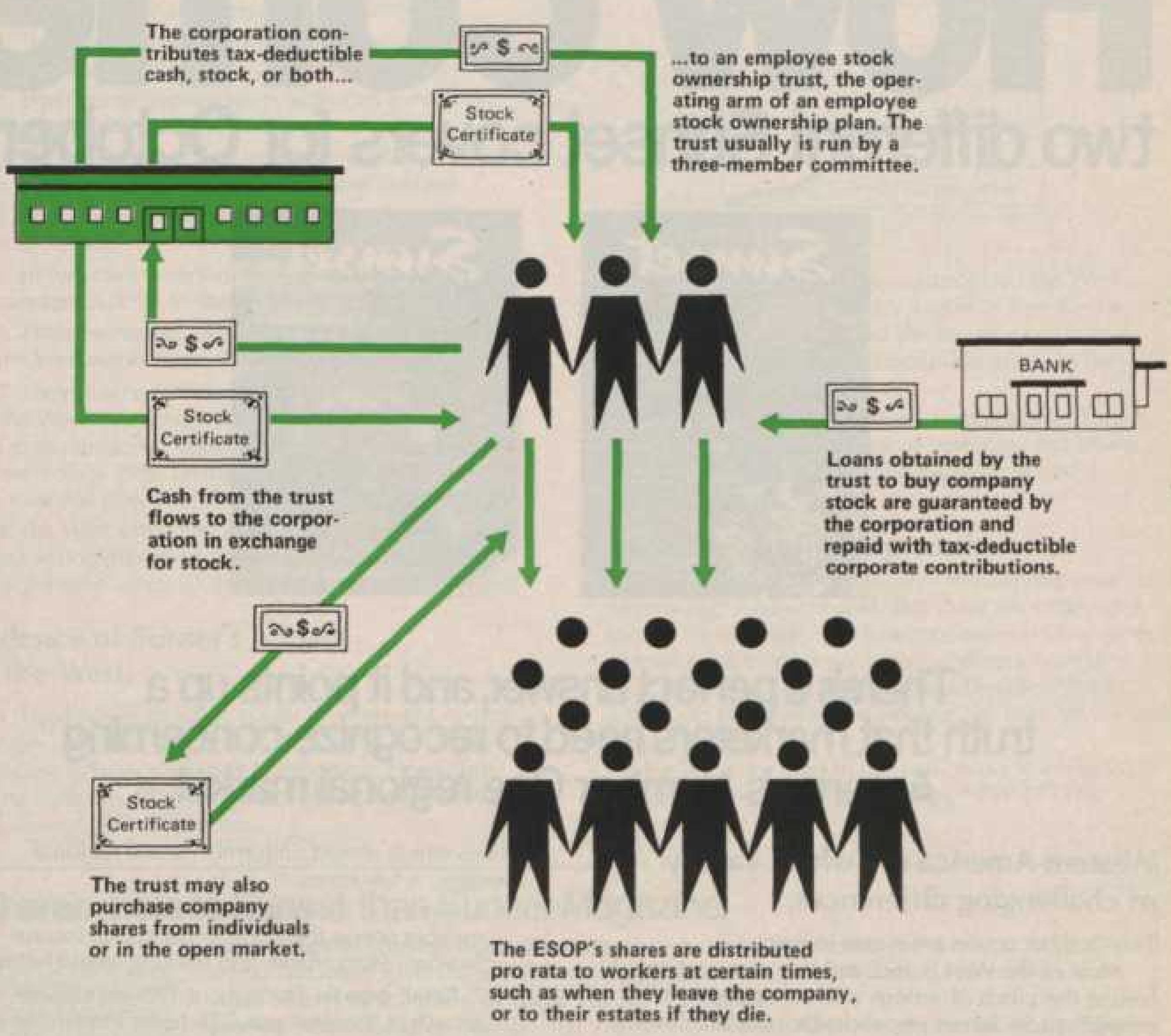
Another approach involves borrowing by the trust in regular money markets to raise funds to buy company stock. The corporation generally guarantees the loan, which is retired through tax-deductible annual contributions to the trust from the company.

Keyed to wage levels

Employees become beneficial owners of their company's stock through the trust. A worker's wage level determines the size of his or her share of the trust.

The stock is distributed to employees at specified times, such as when they retire or leave the company, or is turned over to their estates in the event of death. If the employee or heirs retain the stock, its value as of the date the trust acquired the shares is taxable as ordi-

MECHANICS OF AN EMPLOYEE STOCK OWNERSHIP PLAN



nary income or subject to estate taxes, as the case may be. If the stock is sold, the cash received in excess of the contribution value is subject to capital gains taxes. Stock distributed to a named beneficiary escapes estate tax.

Although capital gains rates are lower than ordinary income tax rates, a worker could be liable for a smaller tax bill if he keeps the stock than if he sells it.

For example, a trust might have acquired, at $5 each, shares that had risen in market value to $20. A worker receiving 100 shares at retirement would pay ordinary income tax on $500. However, he would have to pay capital gains on $1,500 if he sold it.

There is no tax obligation to the worker or his estate while the stock is left in the trust. Dividends generally are credited to each worker's account in the trust for eventual distribution with the stock, but they could be paid out before then. When the dividends are paid out, the worker is liable for ordinary income tax on them.

Workers gain knowledge

All these elements assure that stock ownership plans meet the law's provision that workers receive a tax-deferred equity interest in their company at no out-of-pocket cost.

This ownership stake, of course, tends to reduce labor-management friction by aligning the employees' self-interest with that of management. Employees also gain a much better understanding of the workings of the overall market enterprise system by sharing not only the rewards, but the risks of capital ownership.

The cost of raising capital through an ESOP is approximately half that normally paid by a corporation in a combined 50 percent federal-state tax bracket. That is because company contributions to an employee stock ownership trust which buys that company's stock are tax-deductible.

An ESOP has other advantages for

How come
two different Sunset covers for October?

There's a perfect answer, and it points up a truth that marketers need to recognize concerning America's Number One regional market.

Western America is a whole variety of challenging differences.

Two October covers are a case in point.

Most of the West is arid, and this year, particularly, feeling the pinch of serious water shortages. An emergency. So Sunset responds: October plantings of beautiful but **non**-thirsty gardens.

Some of the West isn't arid at all. Particularly the Pacific Northwest. So for readers there, Sunset shifts to another timely interest: the renaissance of the log cabin in Western building.

Catering to regional differences within the West is not something new at Sunset. Back in 1932, Sunset Magazine was a pioneer with regional editions, and now publishes separate editorial editions for four different regions of the West: Northwest, Central, Southwest, and Desert country.

Today Sunset's regional editions give advertisers great flexibility, but flexibility with a pertinence because it rides on editorial changed as much as 30% per edition to serve local needs and interests.

The Sunset regions together are an American super-market.

Economically speaking, the West, despite its life-style differences, has purchasing patterns and capabilities which almost uniformly exceed national averages. A few items:

1. **Money.** If the West were a nation, it would rank number one in the world in per capita income. Sweden, Switzerland, and the U.S. would follow.
2. **Retail growth.** Throughout 1975 retail sales growth in the West was 33% faster than in the rest of the U.S.
3. **Cars.** If the West were a nation, it would rank number two in cars owned. Only the U.S. as a whole exceeds it.
4. **Food.** For countless basic and specialty foods, the West has a higher purchasing index than anywhere else in the country.
5. **Travel.** In the West, the rate of new passports issued per capita in 1975 was more than 35% above the national average. The incidence of Westerners using scheduled airlines is 41% above the U.S. average for domestic flights, 28% above for foreign flights.
6. **Home Improvements.** In 1975 the West's average expenditure was 21% above the nation's.
7. **Housing Starts** in the West are projected to increase at a rate 22% above the nation's.
8. The West isn't always highest. In television watching, its ratings are often lower than the national average.

There's also an "inner market" in the West. Sunset's.

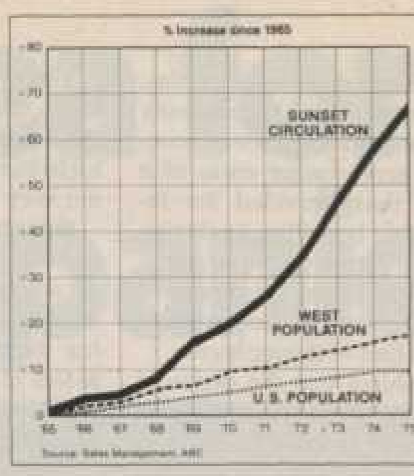
The Sunset Market is 3,100,000 adult men and women readers. Affluent, active, opinion leaders, prime consumers, pacesetters. Some of the evidence:

1. Their median household income exceeds the West's high level by 31%.
2. Their home improvement activities exceed the Western average by 62%.
3. Their incidence of travel on scheduled airlines is more than 50% above the Western average.
4. Their incidence of active passport ownership is 87% above the Western average.
5. In two-car ownership they exceed the Western average by 35%. In three-car ownership, 46%.
6. Their ownership of second homes is 67% above the Western average, 73% above the U.S. average.
7. They purchase dishwashers at a rate 84% above the Western average. Microwave ovens, 80%. Frozen prepared vegetables, 33%. Credit card ownership, 29%. Living room furniture, 47%. Lawn and porch furniture, 136%.

What the West offers the marketer is the richest, fastest-action market in America. What Sunset offers is the paragon sector of that Western market.

Evidence of Sunset's impact on the West.

1. Hard-nosed proof of reader involvement comes from unbiased researchers. Starch. Target Group Index. Behavior Science Corporation. Home Testing Institute. BRI Reader Action Report. Wesley's Galvanic Skin Response.



2. Sunset's circulation has outstripped the West's population growth rate by a ratio of four-to-one for a 10-year period. And the increases continue despite a doubling of subscription prices in the past 2½ years.
3. Advertising linage already committed to Sunset, reflecting a steady inflow of both new and repeat advertisers, is up 21% over the same period a year ago.

How can Sunset help you?

You'd logically expect us to say, "By carrying your advertising." And we could. But there are other ways, too. If, for example, you have questions on any aspect of marketing in Western America, drop a note to Dick Bristol, our Advertising Sales Director. Out of a rich and voluminous experience, we may have some helpful insights.

We'll also be glad to put you on our mailing list for Sunset's bi-monthly marketing NEWSLETTER. Gratis.

There's more to Sunset than Sunset Magazine.

Sunset Special Interest Magazines are national and carry advertising. 1976 ad linage is up 34%. A new edition of **Ideas For Improving Your Home** is now on the newsstands. **Christmas Ideas and Answers** will be released shortly. The initial issue of **Joy of Gardening** was so popular that two editions will be published next year. A new **Western Campsites** comes off press February 1.

Sunset Books are sold worldwide. Over 60 million volumes to date. Annual sales have tripled in the last 6 years. 125 titles currently in distribution, including 12 in Japanese.

Sunset Films has produced many films for major corporations such as Chevrolet, Diamond International, Beringer Wines, and Westours. Taking advantage of Sunset research and expertise, they have garnered large TV, business, and educational audiences, and many awards. If we can help you with film needs, contact Tom Ohliger, Sunset Films, Menlo Park, CA 94025.

Sources: Business International, U.S. State Department, U.S. Department of Commerce, NAHB, Target Group Index, Sunset Research Department, Automotive News.

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a company. Here are some examples:

Pension Costs. A public company with 1,000 shareholders was concerned about accelerating costs of a pension plan that provided for increasingly higher benefits as salaries, tied to a cost-of-living escalator, went up. At the same time, management did not want to impair the excellent relationship it had with employees.

Another problem was the desire of the widow of the chairman to dispose of a large block of stock.

A trust was established in concert with a pension-plan revision that put a ceiling on benefit levels, and therefore on costs. The plan was communicated to employees through meetings, booklets, and by fellow employees trained to answer questions. An agreement was made with the chairman's widow under which the trust would buy her shares at market value over a specified period, thus avoiding a price-depressing, one-time sale.

The company gained relief from its pension-cost squeeze, workers acquired a stock ownership interest that would appreciate in value, an auxiliary market was created for a large block of company stock, and the company obtained a financing vehicle to meet future capital needs under very favorable conditions.

Inventory Buildup. A retailer needed $400,000 to build inventory in advance of price increases. The company's profit-sharing plan, covering nonunion employees, had liquid assets of $200,000. An ESOP was established and integrated with the profit-sharing plan.

The trust borrowed $200,000 from a local bank, giving the trust a total of $400,000, which was used to buy new company stock. The company thus got the funds it needed to build inventory. Pretax company contributions to the trust, made in lieu of profit-sharing payments, were committed to retire the bank loan.

Management Continuity. The president of a corporation owned 75 percent of its stock, and his son, the general manager, owned 25 percent. The father, who was 64, wanted to sell his stock so that, upon his death, his estate would have more liquidity for tax purposes. At the same time, he was concerned that selling his interest in the company would jeopardize the future of his son, who had worked for the firm for 25 years. The son had planned on moving into the top job when the father retired at 65.

The solution was an ESOP. A newly established trust bought the father's stock on an installment basis, easing his tax problems. Directors chosen by the company-appointed trustees voting the ESOP shares named the son president of the corporation. As an employee, he also gained a beneficial interest in the ESOP himself.

Some ESOP drawbacks

While a properly designed ESOP offers not only solutions to such specific problems, but advantages to almost any viable firm, there are potential drawbacks to be considered.

For example, an ESOP is more expensive to implement than a pension or profit-sharing arrangement. This is because a stock ownership program requires expertise in technical design, financial design, law, stock valuation, communication, administration, and coordination.

Also, there is the prospect of dilution, either of assets or income per share. If new stock is sold to an employee stock ownership trust below book value, there is overall asset dilution. As the number of shares are increased, income per share drops until and unless the additional capital generated earns enough income to equal earlier earnings per share. This is a design problem that can be resolved.

The paradox of the ESOP idea is that the concept is simple, but proper design and implementation are complex. It is not a do-it-yourself corporate tool, because of the many varied areas of expertise required. The first two years are a critical period for an ESOP. It takes corporate management that long to master all of the administrative requirements.

For those reasons, the basic question of feasibility of an ESOP for an individual corporation should be examined closely before any commitments are made. □

MR. CRICHTON is chairman and Mr. Manley is president of The Commonwealth Group, Inc., of San Francisco, which specializes in designing employee stock ownership plans.

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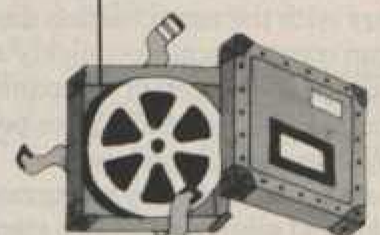

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What to Do About Relatives on Your Payroll

BY ROBERT E. LEVINSON

Should lazy Nephew Jerry really be allowed to run the receiving department? Why is hardworking Son-in-Law Marvin a problem as vice president? Here is advice on avoiding personnel pitfalls

COMPANIES THAT ARE family-owned and family-operated, as most U. S. companies are, have certain advantages over publicly held firms.

They have greater policymaking flexibility and less red tape.

At the same time, family-run companies frequently develop special problems because relatives wind up in management roles. Even a solidly based family enterprise may find itself in a hole if it fails to handle these problems wisely.

Here, based on years of experience with my own family enterprise, Steelcraft Manufacturing Co., Cincinnati, and exposure to scores of other such firms, is some advice on how to avoid pitfalls associated with relatives in management.

Case No. 1—Uncle George. In a company I did business with some years ago, Uncle George ran the personnel department. Much loved by the family, he was little loved by nonfamily members in the business.

Uncle George was underqualified and overpaid, and everyone knew it. Everyone, including his nephew, the president. But how do you confront your own uncle and tell him you are removing him from his job?

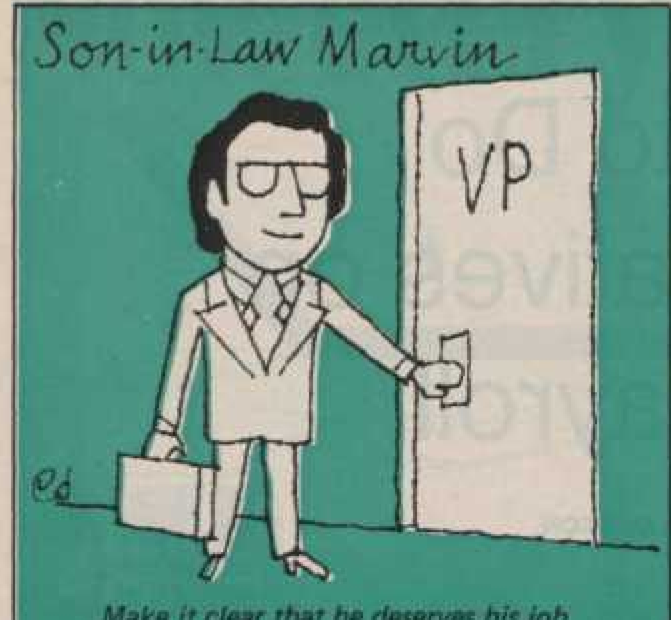
This was precisely what needed to be done. Yet the president could not face up to the task. He kept putting it off.

The result: repercussions all over the place. Repercussions when Uncle George hired a production manager who was even less qualified than himself. Repercussions when, thanks to Uncle George, the company's compensation system evolved into an unmanageable mess. Repercussions when the company got into trouble with the National Labor Relations Board over a labor practices issue. Repercussions in the form of endless battles between Uncle George and long-suffering managers.

Make him a roving ambassador, perhaps

DRAWINGS: CHARLES A. DUNN

What should be done about Uncle George? Love him. Cherish him. Even help him out financially if he needs



Make it clear that he deserves his job

it. But, if he must be in the business, spot him where he will do a minimum of damage and where he will not be responsible for important decisions. Make him a roving goodwill ambassador, for example.

In one respect, a family enterprise is like any other kind of business. To succeed, it must be run by qualified, experienced, well-trained individuals. As far as Uncle George is concerned, the company can benefit from his good intentions and loyalty to the maximum extent possible. At the same time, be wary of his weaknesses.

Case No. 2—Son-in-Law Marvin. Marvin was sharp, ambitious, and a graduate of a good business school. When Ruthie married Marvin, the family beamed with delight. And when his father-in-law, the president, offered Marvin the vice presidency after a one-year apprenticeship, it was not true that he had gotten a job he didn't deserve.

Of course, he got it sooner than he might have otherwise. But he worked hard, and he was competent.

Bitterness in the ranks

What, then, was the problem? As I found when I ran across this situation in a company we once considered for acquisition, the problem was disgruntlement in the ranks.

Marvin's job, with its prestige and fat salary, was a plum sought after by a whole field of contenders. When Marvin won out, the inevitable conclusion was that he had been smiled upon not because of his ability, but because he had married the boss's daughter. What followed was an exodus of talented managers and seething bitterness among many who remained. One of them summed up the feelings of all: "The only way to get ahead in this outfit is to marry into the family."

Care must always be taken in promoting family members. In this case, management should have tried for two objectives. One was to get the message across that, son-in-law or not, Marvin was good for the firm.

At the same time, management should have made it clear that you did not have to be a relative to get ahead in the company. It is important to design an attractive management development and advancement program that includes nonfamily members as well as those in the family.

Case No. 3—Cousin Fred. Cousin Fred's story came to me via a company insider. Fred viewed himself as a model of the high-powered, successful entrepreneur, and he was eager for others to see him in the same light. As proprietor of a successful hardware store that he sold at a profit, Fred always made his three employees toe the line. After the sale of the store, the income from his investments provided a comfortable living.

Thus, when someone at a family get-together suggested Fred as the ideal person to head an important division of the family-owned food distributing company, several voices spoke up in agreement. If Fred's cousin who runs the company harbored reservations, he did not air them in front of the family. So, after brief and superficial consideration, Fred was invited to take over the job, and he accepted.

Autocratic attitude

An overriding problem quickly surfaced. Years of uncontested autocracy as proprietor of his hardware store had turned Fred into an outdated model of the dictatorial executive. It made little difference to him that he was now running an operation employing more than 250 people and not three. To Fred, business was

The wrong philosophy for a big job

business, and he had unshakable convictions about how a business should operate.

Example: A marketing idea was proposed by a veteran manager. Fred shelved the suggestion without exploring it. Months later, a competitor came up with an almost identical strategy and made a major market gain.

Example: When the operation had to relocate, Cous-

Taking too much interest in his job

in Fred made the unilateral decision to buy a site which gave him quick access to his favorite tennis club. The site was inconvenient for others, however, and several key people resigned.

Example: Thursday was Fred's fishing day; business on that day was taboo, and customers be hanged. The division's fortunes started to sag soon after Fred's takeover, and they have been sagging ever since.

A different world

The first reality in this case is that running a peanut-sized enterprise like Fred's hardware store and heading up a large, departmentalized operation is like moving from sandlot baseball into major league competition.

It takes a different kind of training and experience, a different philosophy of management.

The second reality is that the day is past when an executive can ride roughshod over his people and expect them to submit meekly. In most publicly operated companies, checks and balances are set up to make it difficult for one person, even the president, to take arbitrary actions that run against the consensus or are detrimental to the company. The family-held company must guard against dictatorial conduct, too.

In a nutshell, the criteria for picking a top manager are essentially the same for any profit-oriented, departmentalized organization. It is a matter of carefully screening and evaluating candidates, not on the basis of family ties, but on the merits of the candidates' capabilities.

Case No. 4—Wife Lucy. I know a man who has two principal assets: his family-owned business and his loving wife, Lucy.

Unfortunately, the assets are in strong conflict with each other.

Lucy read someplace that a smart wife takes an interest in her husband's business. But she takes too much of an interest. She plays backseat driver from the living room sofa, dispensing advice which too often adversely influences her husband's business judgment.

To the managerial staff, she is a monkey wrench in the works.

Separate sides of life

There are exceptions, but I have found that separating one's social and business life is generally a good rule to follow. Unless your wife plays an active day-to-day role in the business, it is not likely that she will possess sufficient savvy to offer anything but superficial opinions. Using your wife as a sounding board—and many wives enjoy this function—is a different matter entirely. It is often helpful to talk problems out with your wife, sorting alternatives, clarifying issues, weighing various factors.

But trouble tends to erupt when the wife starts sounding back, because she seldom has the solid experience needed to deal with the problem.

On the other hand, certain situations exist, particularly where people problems are involved, in which her fresh, unbiased approach may serve as a vehicle for creative ideas.

What if the wife is actually part of the business? This will create no special problems, provided that she is treated like any other employee or manager.

Case No. 5—Nephew Jerry. What do you do when your brother, Joe, takes you aside and confides he is worried about his oldest son, Jerry?

To date, Jerry has been woefully unsuccessful. A dropout after one year of college, he cannot seem to hold a job. Jerry has tried his hand at five occupations and has been a washout in each.

"What Jerry needs most," Joe confides, "is responsibility, a challenge, a sense of importance. Then watch him take off."

The invitation to watch Jerry take off is tempting. A friend of mine in the sheet metal business responded to his brother's appeal by putting Nephew Jerry at the head of the receiving department, a relatively undemanding job.

Nephew Jerry is still on the job, but he is still a washout. Jerry is lazy, spoiled, unmotivated, and not too brainy in the bargain. He found a home in the family-owned business. He now has a title, a respectable salary, and status he could not otherwise achieve. He also has an assistant who does most of his work and almost all of his thinking.

Deteriorating morale

The consequence is deteriorating morale, not only in his own small operation, but elsewhere in the company, too. Last Christmas, for example, employee bonuses were cut because orders were slow. The inevitable comment: "Get rid of Jerry, and it would pay for the bonuses."

Every business is vulnerable to the ravages of the employee who does not carry his weight, the family enterprise especially so.

In business, there can be no successful compromise with capability and conscientiousness. The chances are strong that the Nephew Jerries of this world, who cannot make it in school or in the job market, will flop in the family business as well.

Case No. 6—Uncles, aunts, cousins, etc. A talented

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The Waste Watchers.

young manager with an outstanding track record came to work for me some time ago. He later confided why he had turned down an attractive job offer from a competing company, also family-run.

"The word I got from my contacts," the young executive told me, "was that a nonfamily member in that company can advance only so far. I had no intention of getting myself into the kind of bind where I would wind up spinning my wheels."

That was unfortunate for the other company, which critically needed his capabilities.

Attracting outsiders

Hard experience has taught me that in a family-owned company it is of vital importance to make employment attractive to talented outsiders. The ideal way to accomplish this is by slotting nonmembers of the family into key management posts, demonstrating that opportunity is not restricted to the clan.

Failing this, the entrepreneur should be able to say honestly to a candidate: "With three brothers in top management, you may never become chief executive. But there is nothing to prevent us from one day spinning off a division and making you president of it if your performance merits the job."

Also, of course, if you pay employees well, you will attract capable performers to your company and motivate their loyalty.

An intriguing variety of compensation plans, ranging from deferred profit sharing and pensions to performance bonuses and health benefits, can be worked out for nonrelatives. Stock options? In general, I am opposed to them for nonfamily members; the stock option too often is a poor substitute for real compensation. My basic philosophy is to provide for your people the opportunity to acquire sufficient financial resources to make the investments of their choice.

Case No. 7—My son, the entrepreneur. I know a man of 60 who spent many years building a specialized consulting business from a struggling one-man operation into a firm which employs 40 people and writes annual billings of $4 million. Today, he wants to retire. But my friend also wants to pass the firm on to his sons, and there is a problem.

The younger son, who would like to step into the presidency, is not qualified to do so and never will be. The older son, who has the brains and maturity to assume intelligent leadership, has no interest in the enterprise.

So the father, who has grown weary of the burdens of running the firm and is no longer excited by the challenges, drags on, hoping that something will break. This is not likely to happen.

I have witnessed similar dramas repeatedly.

Flexibility and the future

It is a mistake to hog-tie a business with inflexible notions about the future of your heirs. As head of a family business, it is enough of a project for you to plan wisely for your own future and your wife's.

Take advantage of the fruits of your labor in the best way you can. Live your life as you want to live it. Let others live theirs. If your son does not want to go into the business, do not press him. If he prefers to pursue a career as a musician, tightrope walker, or missionary, it is his God-given right to do so. Often, the simple decision to sell the business—bringing in experts for counsel and guidance—will solve all kinds of problems for you.

One thing more: The individualism involved in family entrepreneurship sometimes is a disadvantage as well as an asset. I know one chief of a family company who stubbornly refuses to conduct business with lawyers, considering them all disreputable. Another entrepreneur equates borrowing money with sin. A third is vehemently opposed to entertaining customers in any manner.

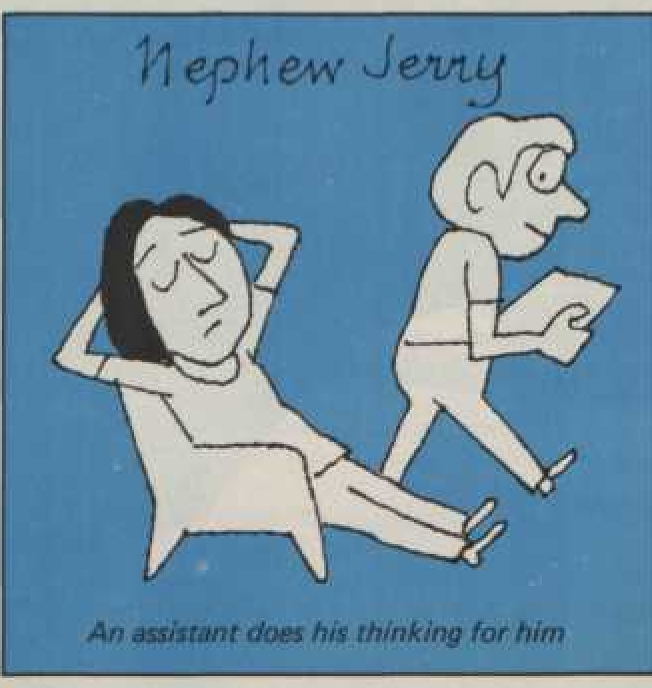
There must be controls to prevent the destiny of an enterprise from being unalterably linked to a single individual's whims. Such controls almost invariably are present in the publicly held company. Their absence in family enterprises creates a special vulnerability.

A need for objectivity

In my experience, the best way to ensure rational, pragmatic, profit-directed decision-making is to recruit outsiders—management consultants, lawyers, accountants, industry specialists—to play an active role in the business.

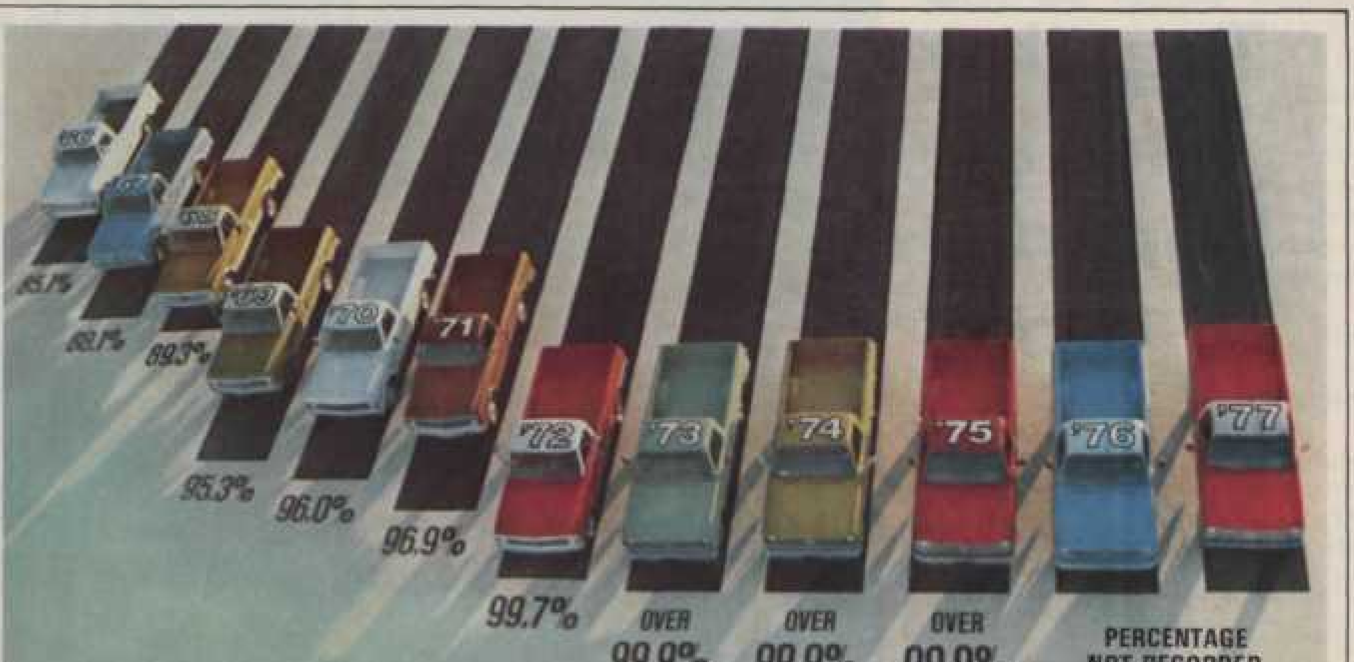
It is particularly important to elect to the board of directors knowledgeable men or women who are not personal friends, who will speak their minds openly. Only then will the road be paved for the uninhibited objectivity required for successful administration of the business. □

MR. LEVINSON, *a vice president of American Standard, Inc., is president of Steelcraft Manufacturing Co., which makes steel doors and frames. Steelcraft, founded by Mr. Levinson's father in 1933, was acquired in 1969 by American Standard. Reprints of this article are available from Nation's Business.* *See page 24 for details.*



An assistant does his thinking for him

96% OF ALL CHEVY TRUCKS REGISTERED IN THE LAST 10 YEARS ARE STILL ON THE JOB.



Chevy has an impressive record for building trucks that last. The chart shows the percentages still in use in each of the most recent model years recorded. 96% of all Chevy trucks registered during those model years were still in use on July 1, 1975, as reported by R. L. Polk & Co.

Chevy pickups are tough in the right places. With two steel walls in the Fleetside tailgate, body sides, doors, front fenders and hood. With extensive rust and corrosion protection that includes a 7-step process for cabs, immersion in electrically charged primer for pickup box steel floor, sidewalls, front panel and tailgate. With brake systems that are computer-matched to the gross vehicle weight of the truck you order.
For a lot more on what goes into Chevy toughness, see your Chevy dealer. And while you're there, take a test-drive.

CHEVY TRUCKS

BUILT TO STAY TOUGH

A SALUTE
TO AMERICAN CITIES:
DETROIT

Working Together for the Common Good


Renaissance Center, conceived and financed by private investors, is a symbol of the kind of vigor and imagination that Detroit civic and business leaders hope will see the troubled metropolis through a period of rebirth. Workmen are putting the finishing touches on the $337 million first phase of what is expected to be a $500 million face-lifting of the waterfront.

When Robert M. Surdam, chairman of the National Bank of Detroit, appeared before a group of New York financial analysts not long ago, one of them suggested he might change his bank's name to improve its prospects for obtaining investment capital.

The inference was that the name Detroit had come to mean crime, high unemployment, racial tension, downtown deterioration, a flight of business to the suburbs and beyond, and assorted other urban ailments that could only mean a dismal outlook for a once-proud American city.

Mr. Surdam gave the analyst's suggestion short shrift. He shot back: "We will stick with our name."

Faith in the city

In the late 1960's, the giant Burroughs Corp., a Detroit fixture for decades, toyed with the idea of relocating when a recalcitrant city administration declined to cooperate with company expansion plans.

But the computer manufacturer, influenced by its longtime ties with Detroit, decided to stay. Signaling faith in the city, Burroughs went ahead with construction of a new $35 million world headquarters complex on the same 25-acre location it had occupied since moving to Detroit from St. Louis in 1904.

In 1971, the Detroit riverfront, near the site where Antoine Laumet de la Mothe Cadillac founded Ft. Pontchartrain d'etroit in 1701, was an eyesore. Except for the new Civic Center Plaza and the mammoth Cobo Hall convention center, the area projected an unsightly panorama of ancient warehouses, unpaved parking lots, an aging flour mill, and a little-used railroad yard.

Because of Detroit's numerous other problems, further decline of the waterfront district seemed almost certain to hasten the eventual near-demise of the central city.

Led by Henry Ford II, the Detroit business establishment went into action. Mr. Ford appeared before the Detroit City Council on Nov. 4, 1971, and unfolded plans for a $500 million architectural face-lifting.

Private funds only

It was a daring plan, both in cost and in the fact that it would be accomplished wholly with private money. Renaissance Center, as the chairman of Ford Motor Co. dubbed the project, would eventually include a skyscraper hotel, 14 office towers, 1,000 apartments, theaters, exquisite shops, and fine restaurants. Mr. Ford told the council:

"This revitalization is a task for the business community here. There are more than enough human and financial resources to undertake a job of this kind, and what we have been lacking is a solid first step to get something started. The size of the development is such that no single company can handle it by itself. We want and will need the participation of other companies to bring the plan to reality."

Henry Ford's clarion call to action was heeded. In less than six months, 51 companies, which are located in Detroit or are based elsewhere but do extensive business in the city, joined in a partnership to get the project rolling. They put up $114 million in equity capital, and they guaranteed another $12 million in loans. A consortium of 28 banks around the country underwrote a $200 million mortgage, which, in turn, was backed by four major insurance companies and the Ford Motor Credit Co. In addition, $11.5 million in unsecured debt rounded out the $337 million first-phase financial package.

On May 22, 1973, ground was broken on what is considered the largest privately financed urban development project in the nation's history.

Renaissance Center is a tribute to private enterprise. More than that, perhaps, it is a tribute to a group of business leaders who refused to believe that the only path for their city led downward.

New skyline

Today, in a once-dilapidated area, a nearly finished 70-story hotel and four 39-story octagonal office buildings which surround it form a magnificent new skyline. It is a skyline which will grow as more buildings are constructed at Renaissance Center. The construction is a symbol of hope and faith as well as evidence that Detroit truly is in a period of renaissance.

Over the years, Detroit has come to mean many things to many people. Although it has been best-known as The Motor City, it has enjoyed such other nicknames as The City Where Life Is Worth Living and Dynamic Detroit.

However, in more recent times, a single statistic in a national crime report for 1972 has given Detroit a new name—Murder Capital—which it has been unable to shake, even though other American cities have actually chalked up more homicides annually since then.

Detroit has not sought to hide its problems. But, its leaders ask, what other large American city is not similarly smitten, in one degree or another, with street crime, unemployment, a breakdown in municipal services, inadequate revenues, and the like?

That Detroit is trying valiantly to solve its problems, to improve its image, is not lost on the visitor to the city. There are signs wherever one turns of a massive campaign, involving everyone from small homeowners and factory workers to the heads of major businesses, to get Detroit moving again. The spirit of renaissance has caught on.

Optimism in the air

Working together, labor and management, blacks and whites, community groups, block clubs, civic organizations—all are striving to put a new face on a benighted city. And there is optimism in the air.

"You can be a pessimist or an optimist in a situation like this," says Brendan Meagher, head of Price Waterhouse & Co. operations in Detroit. "I am an optimist. If we can get enough optimists together, we can solve these problems."

Mr. Meagher, who is chairman of the Greater Detroit Chamber of Commerce, says Detroit is no different from most American cities which have lost their capacity to deal adequately with problems involving money.

"There are only two solutions," he says. "These cities can go to Uncle Sam or they can broaden their tax base. Detroit is handicapped in this latter respect, since, except for property taxes, we must go to the state legislature for approval to increase tax revenues. The legislature has not been receptive to our needs."

Detroit's tax base has gradually been declining, he says, because of businesses moving out of downtown. That has created other problems.

"To encourage people to come downtown, you have to have more policemen," Mr. Meagher says. "Of course, to have more policemen, the city must have the money to pay for them."

Unemployment eases

Mr. Meagher, echoing comments by other businessmen, says he is convinced many of Detroit's shortcomings will vanish overnight as severe unemployment ends and the economy generally improves.

Detroit unemployment reached a staggering 22.1 percent in February, 1975, but with the recent recovery of the automotive industry, more and more Detroiters are getting back on the payrolls.

The cutback in jobs in Detroit has nowhere been more severe than among city workers. In the face of drastic revenue declines, the City of Detroit in 1975 and 1976 laid off more than 5,000 employees, including almost 1,000 policemen. Some of the officers were rehired recently with federal funds made available under new federal jobs legislation. Pressure to put the policemen back to work followed a riot at Cobo Hall.

Detroit's black mayor, Coleman

Many businessmen say Mayor Coleman Young is doing an effective job in trying to run one of America's most problem-plagued cities. The mayor meets regularly with business and labor leaders to probe ways of getting Detroit back into the economic mainstream.

Max M. Fisher, chairman of United Brands Co. and prominent in Detroit civic affairs, is one of those who believe that more jobs will eliminate many of the problems that now afflict the city.

A. Young, says crime is at the top of the list of his city's problems.

"We are caught in a vicious circle," Mayor Young says. "Unemployment reduces revenues, and that, in turn, reduces essential city services, including police protection."

Mayor is appalled

Adding to the mayor's woes in running the city is the fact that he must live with extremely generous contracts covering city employees still on the payroll. Last July 1, when the city already was $50 million in the hole, Mayor Young was faced with finding $50 million more to cover pay increases, cost-of-living allowances, and extra benefits.

Ironically, Mayor Young, 58, who started out as an organizer for the United Automobile Workers union, was an early organizer of some of these same city employees. Today, he says he is appalled at the munificence of some of their contracts.

"These public workers have superprotection, since we imposed the best of labor contracts on what was already good civil service protection," he says. "We have to contend with a lot of featherbedding in these contracts."

Despite his city's problems, Mayor Young predicts brighter days are ahead. He sees a reduction in lawlessness as more jobs become available. And the mayor, who works closely with the business establishment, sums up the Detroit economic situation this way:

"The signs of turnaround are more

If we've told you once...

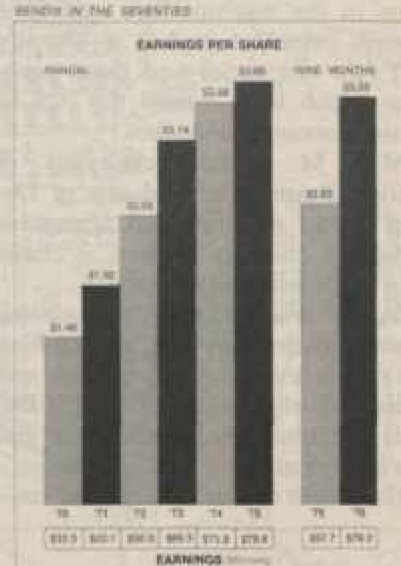
Bendix' results in the third quarter of fiscal 1976 were the best for any quarter in Bendix history—with net income increasing again at a significantly faster rate than revenues. In fact, net income for the first nine months this year—$79.2 million, or $3.59 a share, on revenues of $2.25 billion—virtually equalled our record earnings for all of 1975.

Fiscal '76, therefore, will mark the best year in our history. And the sixth consecutive year of increased earnings for Bendix. But this is only part of the story we've been telling—not once, but time and again. Proud as we are of our string of increased earnings—record quarter after record quarter—it's not as important to us as the company we've built and the promise it holds for the future.

The Bendix record in the '70s has been built on a simple concept. We call it "people and profits." It means that to achieve steady, reliable growth we must concentrate on creating effective programs for people—good compensation and benefits, planned training and career development, equal opportunity, job safety and satisfaction. In other words, all the elements that make Bendix an exciting and rewarding place to work.

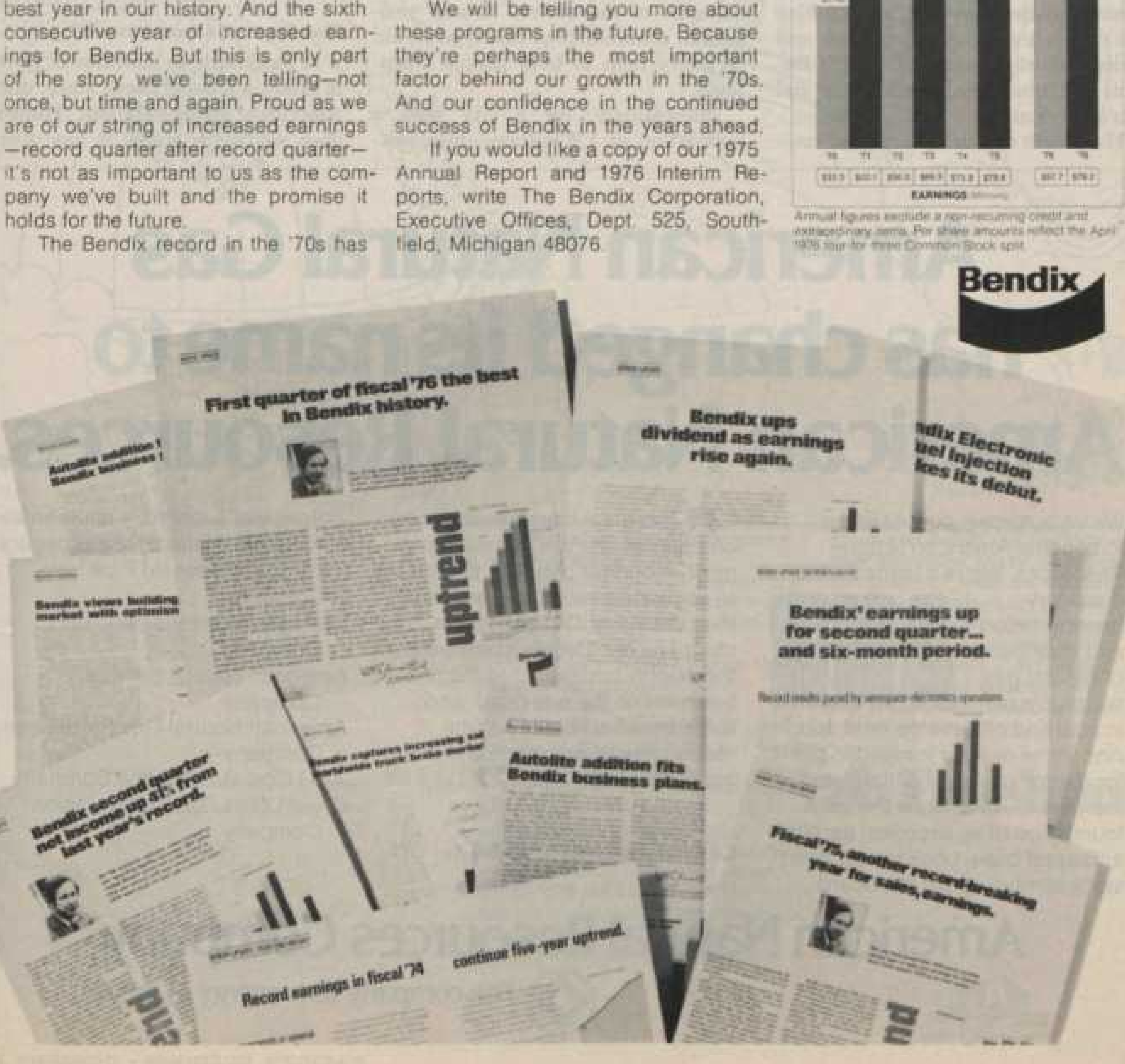
We will be telling you more about these programs in the future. Because they're perhaps the most important factor behind our growth in the '70s. And our confidence in the continued success of Bendix in the years ahead.

If you would like a copy of our 1975 Annual Report and 1976 Interim Reports, write The Bendix Corporation, Executive Offices, Dept. 525, Southfield, Michigan 48076.



Annual figures exclude a non-recurring credit and extraordinary items. Per share amounts reflect the April 1976 four-for-three Common Stock split.

Bendix



evident than the signs of deterioration. The exodus of businesses from downtown has slowed, and we are encouraging new businesses to come into Detroit."

Impetus from businessmen

Some of the major impetus of this drive to turn Detroit around comes from an organization known as Detroit Renaissance, Inc., made up of chief executives of leading corporations in the metropolitan area. The group's principal goal is to identify and root out social and fiscal problems which have caused the city so many economic headaches.

Max M. Fisher, chairman of United Brands Co. and one of Detroit's most dynamic and aggressive civic and business leaders, is chairman of Detroit Renaissance.

In Mr. Fisher's view, stimulating downtown development and making the city safe for both its citizens and visitors must be accomplished if Detroit is again to enjoy economic and physical vitality.

He points out that "while we have problems, there are many pluses that must not be overlooked. One of our most important assets is the coalition of people—their involvement in community affairs."

If Mr. Fisher and a group of fellow investors are successful, another unsightly section along the Detroit River will be bulldozed into extinction. On a 34-acre site near Cobo Hall, now occupied by a railroad yard, the investors are planning a cluster of 20-story apartment buildings designed to attract middle-income tenants. Initially, the project would contain 1,000 units, but there would be room to build 2,500 units altogether.

Compete with suburbs

"We want to compete with the suburbs," Mr. Fisher says. "The apartments would be within walking distance of downtown. A new residential community of this type would certainly help to hold people downtown."

Interestingly, for a city with a population of 1.3 million—in a metropolitan area of 4.5 million—Detroit has relatively few large apartment buildings. Detroit has the largest proportion of home ownership of any city in the country.

Many Detroiters are concerned about how best to help the downtown. Numerous office buildings are half vacant. By some estimates, the daytime office population has dropped from 160,000 to 120,000 in the past ten years.

Retail sales have plummeted. There is little nightlife left.

Some of this can be blamed on crime, but not all. Unemployment has dealt Detroit a harsher blow than most major cities. That has hurt downtown business. Because Detroit has long had a love affair with the automobile, mass transit has never been taken seriously. This, too, has hurt business downtown.

Decline of a landmark

A landmark in downtown Detroit is Hudson's department store, one of America's major retailers. Hudson's does well with stores it has opened

Can you find the truck in this picture?

Remember the puzzle game you played as a kid?

Well, government regulators have been playing games with the trucking industry. And it hasn't been fun.

Now they want to play the biggest fun game of all—*de*regulation.

And while it may look good on the surface, it may not be the panacea it seems.

Because while deregulation would allow free entry into any market, it would also allow free *exit* from any market.

Which could deprive every small town and city of the benefits of truck transportation. And wreak havoc with an industry that—thanks to some good and basic regulations—now provides every point in the country with an efficient method of shipping goods.

We urge you to look very, very closely at deregulation.

Because isn't it frightening to look at our country and not see trucks and truck-trailers in the picture?

Fruehauf

ATA FOUNDATION INC
AMERICAN TRUCKING INDUSTRY

PHOTOS: ROBERT SENYAK—BLACK STAR

Benson Manlove, co-owner of L & M Office Products, Inc., says good lines of communication are open between whites and blacks in Detroit. This, Mr. Manlove adds, is bringing black leaders closer to the city's power structure.

Joseph L. Hudson, Jr., a third-generation department store executive, says every effort is being made to keep Hudson's alive in downtown Detroit despite a continuous sales decline. The nine Hudson's stores in the Detroit suburbs are thriving.

Chrysler Corp. executive Richard K. Brown finds living pleasant and safe in an area on the fringe of downtown which once contained a notorious slum known as Black Bottom. "I think downtown Detroit once again will become very viable," Mr. Brown says.

in the suburbs, but it is threatened downtown by steadily declining sales. Some of the downtown store's floors have been closed off.

"We have a tremendous investment in this part of town, and we are trying to keep this store open," says Joseph L. Hudson, Jr., chairman of Hudson's and vice chairman of the parent Dayton Hudson Corp. "But our sales have been in a downtrend for 21 years, and the trend continues.

"In the past three years, we have achieved modest profits by keeping down expenses and improving productivity. We cannot, however, suffer indefinitely the continued loss of volume and continue to stay here. We have to be profitable in order to be good citizens in the community."

What is happening to Hudson's and other downtown retailers is illustrated by stories such as this one that Mr. Hudson relates:

"A member of the City Council jumped on me not long ago for not trying to save our downtown store. A few days later, I ran into him in one of our beautiful new suburban

Burroughs New '800' Family Of Computer Systems

The B 80
Small-Scale Computer System

The B 3800
Medium-Scale Computer System

The B 6800
Large-Scale Computer System

Shown are a few of the systems in the '800' series—designed to meet the data processing needs of organizations of all sizes and types.

COMPATIBLE WITH THE FUTURE

Burroughs

World Headquarters
Detroit, Mich. 48232

stores, where he now does his shopping. He, too, has abandoned downtown."

Center is a catalyst

In any discussion of how to anchor and preserve what is left of a once-vibrant downtown, the words Renaissance Center crop up.

Already, the stabilizing influence of that vast undertaking is being felt. The University of Detroit law and dental schools, located across Jefferson Ave. from Renaissance Center, were planning to vacate their premises when the massive project was announced. The schools not only are staying, but have launched a $7 million modernization program. A large Catholic church nearby has changed its mind about moving. Neighborhood stores are being spruced up in anticipation of the many visitors and office workers who soon will be flocking to the new Detroit Plaza hotel and the office buildings in the center.

"Renaissance Center is the key to changing the image of downtown as a place where nothing is happening," says Robert E. McCabe, president of Detroit Renaissance, Inc. "The center is intended to be a catalyst. What has been created is an absolutely complete business environment—a city within a city."

When completed, the hotel and four office towers will employ about 20,000 people.

The luxurious hotel, with more than 1,400 guest rooms, is scheduled to open early next year. Designed by famed architect John Portman [see "Lessons of Leadership," NATION'S BUSINESS, August, 1976], it will be operated by Western International Hotels.

About 45 percent of the office buildings already are under lease, and tenants have begun moving into the first of the towers. The AC-Delco division of General Motors has taken five floors in one tower. Detroit's Manufacturers National Bank will occupy more than 168,000 square feet in what is described as the largest lease arrangement ever executed in the city.

"A lot of the exodus from downtown took place because Detroit did not offer an alternative to the suburbs," says Mr. McCabe, former general manager of the New York State Urban Development Corp. "Now, there will be some competition."

Chrysler is staying

For some Detroiters there is no desire to flee to the suburbs. One of these is Richard K. Brown, Chrysler Corp.'s North American automotive executive vice president. He lives near Lafayette Park, a new development of tree-lined, spacious garden apartments and high-rise condominium dwellings. The area, a few blocks from Renaissance Center, was once known as Black Bottom, the worst slum in Detroit.

"I find downtown living interesting," Mr. Brown says. "I think downtown Detroit once again will become very viable."

Chrysler is the largest employer in Detroit, with almost 52,000 employees in the city. The other auto manufacturers have their major plants in

suburban Detroit communities. A recent rumor that Chrysler planned to abandon one of its Detroit plants was quickly denied. Says Mr. Brown:

"We have made some strong decisions that we will maintain our posture in Detroit. Not the least of the reasons for reaching these decisions is that we are very important to the city."

Robert Surdam, the National Bank of Detroit chairman, is convinced that when the restructuring of Detroit's urban and suburban life, now in its early stages, is completed, the city will come back into its own.

"We have so much going for us, notably the cohesiveness and dedication of our people," he says. "As the economy improves, we will get back on our feet. We have an above-average labor force that makes it attractive for industry to come into Detroit. We have an excellent market area for our goods. In the final analysis, it is the quality of our people that will make us come out on top."

Launching of Project Pride

An indication of the role the average citizen is playing in Detroit's renaissance came in the wake of bloody race riots in 1967. Businessmen realized that any efforts at improving community relations would have to involve the black community. Actually, the "hot summer" of 1967 gave many businesses their first real exposure to the critical problems of black residents.

One of the most successful programs that emerged from this bleak period was Project Pride, launched by Mr. Surdam's bank. It showed that business, government, and the community could work together. But more than that, it showed that blacks, too, had pride in their residential neighborhoods.

Project Pride focused initially on 55 square blocks inhabited by 23,000 blacks. More than 4,000 volunteers pitched in to clean up the neighborhood. They freed the area of 500 tons of trash, thousands of rats, and more than 150 abandoned cars. Hundreds of pounds of flower seed and grass seed were planted, 1,000 trash cans were installed, and dozens of streetlights were repaired.

Project Pride continues today on a larger scale. Now involving 70 square miles, it has been cited by Keep America Beautiful, Inc., as the

"Man comes to the city for work, he remains for the good life."

–Aristotle

Detroit's Renaissance Center, one-third larger than Rockefeller Center and three times the size of Atlanta's Peachtree Center, is a landmark downtown revitalization program.

It is an impressive economic catalyst. And it promises to restore to Detroit the year-round delight of city life on the river, with quality, excitement and style.

We are proud of Renaissance Center and our part in helping to make it a reality. We encourage your support.

THE Budd COMPANY
2155 West Big Beaver Road
Troy, Michigan 48084

Renaissance Center is financed entirely by private investment through a 51-firm partnership. The four 39-story office towers have been topped off, and as of April, 1976, about a quarter of the 2.2 million square feet have been leased. The world's tallest hotel, the 70-story Detroit Plaza, has booked 123 conventions through 1981, and close to 400,000 room nights. Work is proceeding on schedule and these buildings should be completed in the spring of 1977.

To find out how you can share in our exciting renaissance, contact:

Renaissance Center Partnership
One Woodward Avenue, Suite 1350
Detroit, Michigan 48226

Brendan Meagher (left) and Dwight Havens, respectively chairman and president of the Greater Detroit Chamber of Commerce, both feel that the vitality of the business community is playing an important part in pulling the city out of the economic doldrums.

"Renaissance Center," says President Robert E. McCabe of Detroit Renaissance, Inc., "is the key to changing the image of downtown as a place where nothing is happening."

foremost program of its kind in the country. Nearly 50 companies around the U. S. have asked National Bank of Detroit for details on starting similar programs in their communities.

Agreement to join forces

If the Detroit renaissance succeeds, and some future historian sets out to show how it all happened, he will have to consider a development that occurred shortly before the 1973 mayoral election race between then-State Sen. Coleman Young and then-Police Chief John Nichols. Dwight Havens, president of the Greater Detroit Chamber of Commerce, explains:

"The chamber worked out an agreement that whoever won would take part in a coalition involving business, labor, and local government to get Detroit moving again. After the election, which Coleman Young won, we held a luncheon, and 3,500 people came. More than 500 had to stand. Henry Ford II spoke for business, and Leonard Woodcock [president of the United Automobile Workers] spoke for labor. We have been working together ever since."

Business and labor in Detroit, Mr. Havens adds, "are philosophically united in an unprecedented way."

One example of how these two forces are cooperating came when William C. Marshall, president of the Michigan State AFL-CIO, agreed to write an editorial for a chamber publication distributed to all chamber members. The editorial, which sup-

"Remaining in an area of major economic influence such as Detroit keeps us in a community with customers we serve," says Ray W. Macdonald, chairman of Burroughs Corp. Burroughs has more than 6,400 employees in Detroit.

Stanley Seneker, executive vice president of Renaissance Center, says such a project "to do something about cities' problems" has particular appeal to the public because of the project's private enterprise nature.

ported a business-labor proposal to raise gasoline taxes to finance a transport authority in Detroit, appeared on the front page.

Government is concerned

"Three years after the 1973 election, all of us are still working together—business, labor, and the city administration—for the greater good of Detroit," Mr. Havens says.

"An indifferent city government almost caused us to lose Burroughs—City Hall would not move a street so the company could expand its facilities. And we lost Uniroyal, which wanted to move its New York headquarters here but backed down because of bungling by the previous City Council. The city government is not like that now."

Burroughs provides jobs for more than 6,400 people in Detroit. Says Chairman and Chief Executive Officer Ray W. Macdonald:

"Our relationship with the City of Detroit has been mutually rewarding. Burroughs is proud to have contributed to the past growth of the city and to be part of its dynamic future growth."

According to Mr. Macdonald, a key to the progress Detroit is making toward a solution of its problems is the "exceptional spirit of cooperation that exists in the city." He adds:

"Detroit is composed of many different—and at times divergent—elements, but they have demonstrated a facility for drawing together to solve problems for the common good." □

Letters to the Editor *continued from page 10*

Goodwill Industries in providing jobs for handicapped people. We stand ready to cooperate fully with the business community in such an endeavor. We can refer to employers handicapped applicants who have been screened, tested, evaluated, trained, and certified by us as ready to work in industry.

CHRIS A. CORONDONI
Executive Vice President
Wightman Memorial Goodwill Industries
Long Beach, Calif.

What détente means

Dr. Penelope Hartland-Thunberg's article on "The Economic Consequences of Détente" [August] was one of the most readable, concise, and competently written articles I have seen on a complex economic issue.

GUNDAR J. KING
Dean
School of Business Administration
Pacific Lutheran University
Tacoma, Wash.

SBA and the farmer

"Business: A Look Ahead" [August] carries an item headed "Small Business Law Aids Farmers, Raises Loan Limits."

Woe to the farmer if SBA steps in to help him. That help will just add more government red tape on top of the already bulging tons of paperwork required of farmers and other small businesses.

Beware, Mr. Farmer. Another coyote is sneaking into your back pasture.

BEN F. BACA
President
Southwest Investigative & Protective Agency, Inc.
Albuquerque, N. Mex.

Victory in California?

Re James J. Kilpatrick's column, "A Victory for Common Sense on Energy" [August].

Mr. Kilpatrick makes the same mistake many other analysts made in appraising the defeat of a proposed antinuclear amendment to the California constitution.

The nuclear battle has not been won in California. It has been lost in the sense that most of the amendment's provisions were embodied in three bills that Gov. Brown signed the Friday before the referendum.

Southern California Edison Co. and the Pacific Gas and Electric Co., the state's two largest utilities, supported the bills because of fear that the proposition might pass, halting construction of nuclear plants.

The utilities were willing to sell out the thousands of Californians who fought for defeat of the amendments. They reasoned that their lobbyists could manipulate legislators more readily without the amendment than with it.

This move by the very companies who have the most at stake in the nuclear power debate is one of the reasons that the credibility of business has reached such a low with the general public.

Until business stands on its two feet and fights for its rights, proudly and unabashedly, it will continue to lose.

GENE WEKALL
Business Editor
"The Register"
Santa Ana, Calif.

What's Ahead for Industrial Development

Lower Taxes Bring Higher Employment

INDUSTRY cannot be wooed with low taxes alone, industrial developers agree.

However, they add, states that are out to get more industry cannot ignore tax levels.

Taxation, developers point out, is one of the few factors in industrial location that a state or community can control.

"We can do nothing about our geographical location, our climate, our access to a company's markets, or our air, rail, or truck transportation," says an industrial development official.

"But our state can decide whether to encourage industry by not bleeding it white. Or we can discourage it with a philosophy of soak the businessman."

New York State is a case in point.

This year, as more blue-chip corporations fled Manhattan, and the state lost more jobs, Gov. Hugh L. Carey appointed a special task force to take a look at New York's taxes.

The state has lost more than half a million jobs in the last six years, the group reported. "High levels of taxation have been a major factor," it added.

A firm that left

Take the story of Michael Kaffel, a native New Yorker. He and his wife, Alice, founded and run Plexite Industries. They say it is the world's largest manufacturer and distributor of plastic flowerpots.

The firm, started in 1970, was located in New York City. Last year, however, it moved its offices to Houston and its plant to Jacksonville, Texas. Taxes were a prime reason for the move.

"As our business expanded," says Mr. Kaffel, "we began to think about a new location. We considered Connecticut, but about that time the

state's corporate income tax went from eight to ten percent. Then we investigated Texas. Running a business costs far less here than in New York."

He and his wife live in a $150,000 home in a Houston suburb, Clear Lake City.

"My real estate taxes," Mr. Kaffel says, "are $900 a year. That is about one third of what I would have to pay on a similar home in Westchester County, the New York suburb. Other living costs are lower, too.

"I can bring in an executive, and he will get a 20 percent boost in income after expenses, even at the same salary he earned elsewhere."

Corporate taxes

For the company, the tax change was also dramatic.

The firm's accountant offers this comparison.

"Take a company with net assets of $500,000 and a yearly net income of $500,000. That is not unusual for a young and growing company like Plexite Industries.

"In New York, state and city taxes would be about 20 percent of the net income, or $100,000. Add to that $160,000 in federal corporate income tax. Total, $260,000.

"But in Texas, there is no corporate income tax. Instead, the state has a franchise tax of $4.25 per $1,000 on net assets. So a Texas firm with the same net assets and income would save about $57,000 in taxes."

Now, New York State has made some significant changes in its tax laws to improve the climate for business. One example is the expansion of the state's Job Incentive Program.

Up to this year, the program applied only to poorer rural areas and big inner cities. Now it applies to all of the state.

Under the program, a manufacturer who builds a plant in New York is eligible for a credit against his

PERCENT OF STATE TAX REVENUE FROM CORPORATE INCOME TAXES

STATE	PERCENT	STATE	PERCENT
New Hampshire	14.5	Alaska	6.6
California	13.1	Colorado	6.6
Massachusetts	12.9	North Dakota	6.6
Connecticut	12.8	Illinois	6.5
Oregon	12.2	Iowa	6.1
Pennsylvania	11.7	Maryland	5.7
Kansas	10.9	Utah	5.6
Rhode Island	10.4	Nebraska	5.4
Minnesota	10.3	Arizona	5.3
New York	10.3	Oklahoma	5.2
Tennessee	10.3	Louisiana	5.1
New Jersey	9.7	Alabama	4.6
Idaho	9.0	Vermont	4.5
Georgia	8.7	Missouri	4.3
South Carolina	8.6	Mississippi	4.1
North Carolina	8.5	Maine	3.9
Michigan	8.4	Hawaii	3.7
Wisconsin	7.9	New Mexico	3.7
Arkansas	7.6	West Virginia	2.1
Delaware	7.6	Indiana	0.9
Kentucky	7.5	South Dakota	0.8
Montana	7.2	Nevada	0.0
Virginia	7.1	Texas	0.0
Florida	6.8	Washington	0.0
Ohio	6.8	Wyoming	0.0

SOURCE: Advisory Commission on Intergovernmental Relations. Figures are for 1974.

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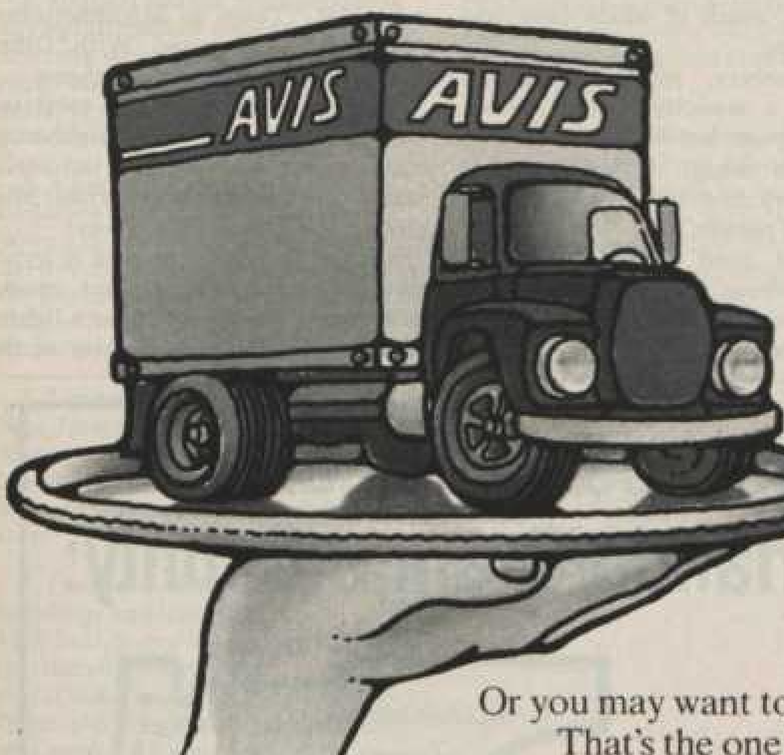

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Okay, Avis. Let's see what you can serve up that's just right for me.
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I currently own ________ trucks. I currently lease ________ trucks.

state corporate income tax of up to 100 percent of his investment. His eligibility is good for ten years.

To qualify, he must also maintain an approved job training program for his employees.

Expansion, too

A New York manufacturer who expands his plant is eligible for a like credit against corporate income tax.

Miller Brewing Co. finds the tax benefits attractive.

It has built a $212 million brewery and aluminum can manufacturing plant near Fulton, N. Y., in Oswego County. The facility occupies a 440-acre tract, much of which once was cow pasture.

The brewery, which opened in May, has a capacity of four million barrels a year, but Miller intends to double the output. At full capacity, the brewery and can plant will employ 1,000 people.

That is good news in Oswego County, where the jobless rate ran as high as 17.5 percent before Miller's arrival.

The Job Incentive Program helped bring work and wages to the county, as Miller President John A. Murphy points out.

"New York State offers a new or expanding facility substantial tax benefits in the form of job incentive credits," he says, and this "played a part in our decision to locate our brewery and ancillary operations in Fulton, N. Y."

Blowing its horn

Mississippi plugs its favorable tax climate when inviting industry to locate there. The state's Research and Development Center has put together a booklet, "Taxes on Manufacturers: Mississippi Compared With Other States," emphasizing that theme.

Comparing Mississippi's total tax burden with that of four neighboring states and three northern industrial states, the booklet summarizes Mississippi's advantages this way:

"Based on an analysis of a hypothetical manufacturing plant, manufacturers in Mississippi bear a lighter total tax burden than in any of the

Only New Jersey offers your business all this:

1. A location that is overnight by truck from 30% of every customer in America! With transportation costs skyrocketing, you'll want to manufacture and warehouse in New Jersey right in the middle of the biggest, richest market in the world (New Jersey has the 5th highest per capita income in the U.S.)

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3. A brand new state tax structure that will help business. What's more, the state debt is among the lowest in the nation. And N.J. has the lowest government cost per capita and the lowest number of state employees per capita of any state.

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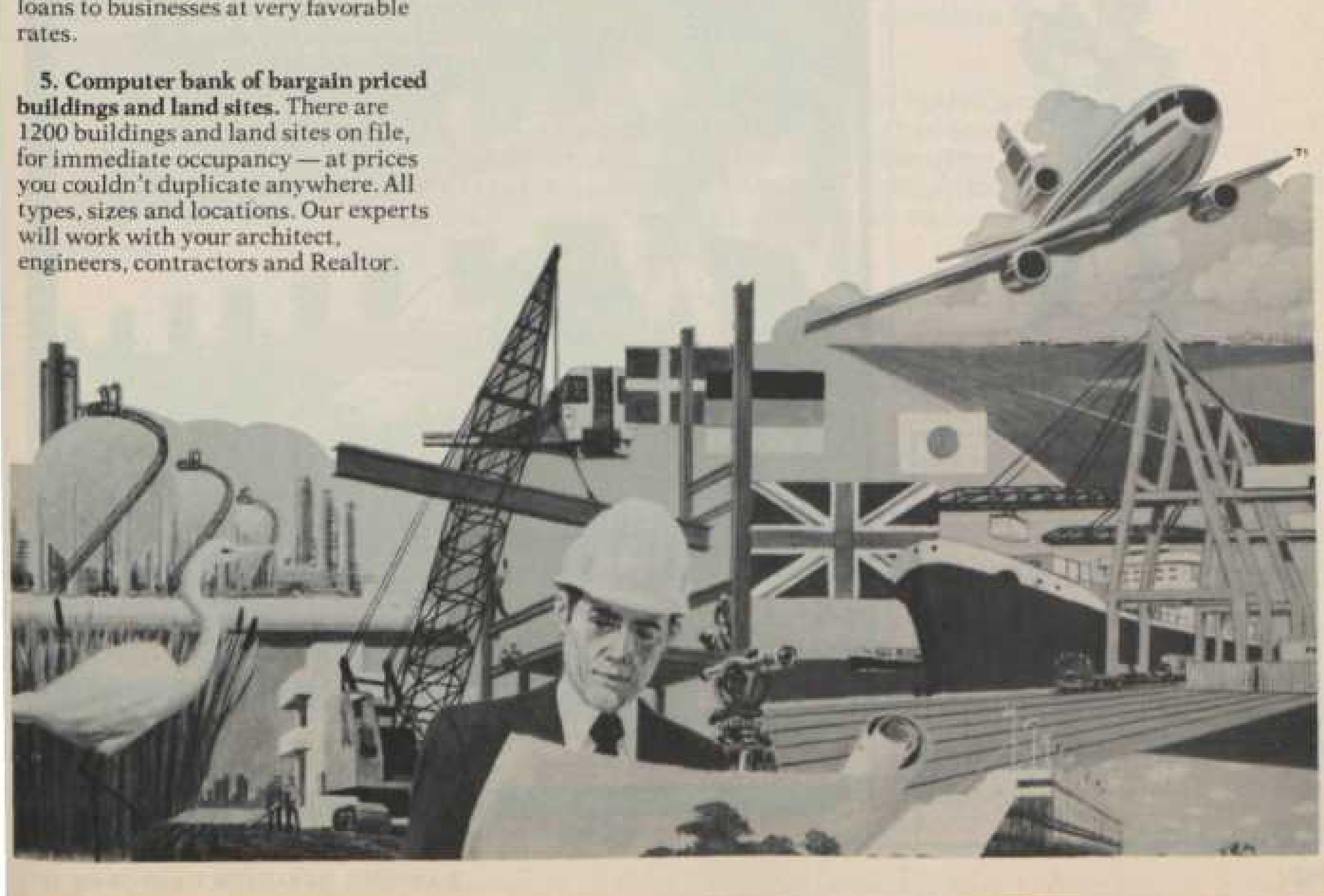
7. Highest concentration of modern road, rail, marine and air transport facilities in the world! The N.J. Turnpike, 7 Interstates; the largest, most modern containerization port; the busiest air freight international airport; the revitalized Conrail — all in your own backyard.

8. No more government red tape. Our Office of Business Advocacy handles all the details for you: environmental laws, taxes, energy information, site access, zoning, licenses, permits. You're into profitable operation fast.

9. Exciting new import-export opportunities. Our international trade and investment people assist you in finding markets for your products outside the U.S. — and encouraging foreign investment in New Jersey.

To learn more about why New Jersey is America's profit center — and how it can be yours — write to Governor Brendan Byrne, P.O. Box 2766 NB Trenton, New Jersey 08625. The answer will be prompt, professional, and confidential. For even faster action, call 609-292-2462.

New Jersey: America's profit center



other states studied when maximum exemptions are granted."

Mississippi's tax burden is about 69 percent of the average of the nearby states, the booklet adds, and about 60 percent of the three industrial states in the North.

Does the sales pitch work?

As proof that it does, Mississippi points to new arrivals like W. F. Hall Printing Co. The Chicago firm is building a multimillion-dollar, 400,000-square-foot plant at Corinth, Miss. W. F. Hall will use the new gravure plant chiefly to print the National Geographic Society's magazine, beginning next year. At full strength, the plant will employ 500.

"We looked at several other sites," a company spokesman says. "Mississippi's favorable tax climate was definitely one of the reasons we decided to locate here."

Mississippi ranked high among the states last year in new capital investment.

Last February, David L. Babson & Co., Inc., investment counselors, decided to check the record to see if it could detect any relation between tax levels, unemployment, and growth in jobs.

It found that the states with the lowest unemployment rates tended to have the lightest tax burdens. Conversely, those with the highest jobless rates tended to have the heaviest tax loads. Lower per capita taxes also seemed to go hand in hand with greater growth in employment. Here is how the states ranked, in groups of ten:

GROUP MEDIANS

Jobless Rate	Tax Burden (% of Income)	Increase in Taxes	Growth in Jobs
4.7%	14.1%	50%	28%
6.0%	14.3%	58%	19%
7.0%	14.2%	66%	15%
8.0%	15.5%	72%	11%
8.9%	16.6%	85%	9%

Increases in taxes and jobs were from 1969 to 1974.

"Taxes are obviously not the only variable in the job picture of the various states," Babson & Co. comments. "But the correlation in the tables strongly indicates that state and local government taxation does have a decided impact on the overall employment situation." □

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3. If, for any reason, your drivers need assistance, they can call a toll-free hotline number for immediate help—without getting fleet administration involved.

Custom tailored lease plans, the BUYER PROTECTION PLAN II and a toll-free hotline are just three of the reasons why AM Leasing has doubled its number of fleet leases in the past year. For more information, send in the coupon below or call toll-free: 800-521-4360. (In Michigan call collect: 313-827-2884.) We'll write a lease that's just right for you.

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What's Ahead for Industrial Development

Where the Energy Shortage Is Most Serious

NOT ALL industrial and individual users of natural gas may be aware of it, but less gas is flowing through those giant interstate pipelines this year.

In its annual shortfall report on natural gas supplies, the Federal Power Commission predicts that, in the 12 months from April of this year through next March, interstate pipelines will deliver 3.6 trillion cubic feet less than they had promised.

What this means to the nation's industrial developers is a continuing problem, because industry must have energy, and natural gas is one of the most important energy sources.

"The first curtailment of gas supplies in the nation's history came in November, 1970," says S. William Yost, chief of FPC's Bureau of Natural Gas. "That month, three major interstate pipelines cut back."

The explanation for the shortage, says Mr. Yost, is swelling demand and shrinking supply.

The turning point

"The turning point," he notes, "was 1968. Up until then, we were finding more gas than we were consuming. Since then, the figures have

Jacksonville lowered its property tax rate eight years running.

Jacksonville, Florida has proven consolidation is a more efficient form of government. This efficiency is reflected in our tax structure. Our ad valorem tax rate has declined every year since consolidation in 1968.

Additionally, we have gone through a process of property re-evaluation so that everyone's taxes are more equitable, our city budget has remained sound and services have been increased and improved. And city and state personal income taxes won't be a burden to you and your employees. There are none in Jacksonville. As a matter of fact, our total tax load is the lowest of the 30 largest U.S. cities. If this kind of tax environment makes sense to you and your company, write for further information to: Jacksonville Area Chamber of Commerce, P.O. Box 329-MN, Jacksonville, Florida 32201.

The city other cities are learning from.

THE CONSOLIDATED CITY OF

Jacksonville

been frightening. In the past eight years, proven reserves in the lower 48 states have shrunk 32 percent."

Meanwhile, the annual shortfall, as listed by FPC, has been growing:

Year	Billion Cubic Feet
1971	286.4
1972	649.4
1973	1,131.2
1974	1,678.7
1975	2,695.0
1976	3,624.6 (est.)

America's most serious energy shortage, authorities say, is in natural gas.

Other energy sources

Domestic oil production has dropped 500,000 barrels a day since the Arab oil embargo of 1973, Mr. Yost points out, bringing it down to about eight million barrels a day.

But plenty of oil is available elsewhere.

"We can have all we want, at the price set by the Organization of Petroleum Exporting Countries," says Dr. George T. Patton, director of the policy analysis department at the American Petroleum Institute. The price, however, is staggering.

In 1970, the United States spent \$3 billion abroad for oil. Now, the country is spending \$28.6 billion a year for imported petroleum.

Last year, the Edison Electric Institute says, utilities canceled plans to build 12 nuclear and three fossil-fuel power plants. They also shelved plans for 58 nuclear and 45 conventional plants. Plants whose construction was canceled or postponed would have a generating capacity of 108,627 megawatts—about one fifth of the utilities' present load-carrying capacity of 494,800 megawatts.

But the recent recession and energy-conservation measures, by individuals and business both, have slowed the growth of electricity consumption.

Impact on industry

Four states—Texas, Louisiana, Oklahoma, and New Mexico—account for 87 percent of the natural gas produced in the United States, the Independent Petroleum Association of America reports.

More and more industries are showing interest in moving near the sources of this clean, cheap fuel. Intrastate sales now account for about 40 percent of the natural gas con-

How Puerto Rico offers manufacturers an opportunity to make greater profits

by Robert R. Nathan

Robert R. Nathan, member of the TIME, Inc. Board of Economists, has served as economic advisor to the United States and more than 30 other nations.

Economist Robert R. Nathan tells how Puerto Rico offers manufacturers 100% tax exemption. And how the island helps turn that tax exemption into solid profits.

Read his analysis of profit opportunity in Puerto Rico. Then mail the coupon below for more details.

"Over the past 25 years, I have worked with more than 30 developing countries on every continent on earth.

"I have seen countries where the supply of raw materials is abundant. In spite of all this, many of these countries are terribly poor and making little economic headway.

"On the other hand, I have seen countries with limited raw materials, where the pace of development is highly impressive.

"The island of Puerto Rico is that kind of land.

"Much of its success is the direct result of the economic inducements offered by *Operation Bootstrap.* That is Puerto Rico's name for one of the most effective programs of economic self-help devised in the 20th century. It is aimed at providing an increasing number of jobs and higher levels of income and well-being for the Puerto Rican people.

100% tax exemption

"Under a unique compact of permanent union with the United States, there are no Federal taxes on businesses operating in Puerto Rico.

"In addition, under *Operation Bootstrap* qualified manufacturers pay no Commonwealth taxes in Puerto Rico—no corporate income, property, municipal taxes or license fees for ten to 30 years depending on plant location. *Puerto Rico is the only place under the U.S. flag to offer industry total tax exemption.*

Environment for profit

"Puerto Rico's leaders understand full well that the island must afford favorable profit prospects because, without profits, the 100% tax exemption will be meaningless.

"*Operation Bootstrap* ensures:

1. A highly stable political environment.

2. A labor force of increasingly skilled, efficient and dependable workers—with low absenteeism and job turnover.

3. High productivity. Worker efficiency in Puerto Rico compares favorably with other manufacturing areas. Also, wage levels continue to be substantially lower than on the United States mainland.

4. A growing indigenous supply of able management.

5. Unrestricted trade between the U.S. mainland and Puerto Rico.

6. Many bilingual workers.

7. A wide range of cost-saving incentives not found in most new industrial areas. The government will make plant sites available at reasonable terms if the new investor wants to confine his initial investment to equipment and materials. It will also provide training funds, especially if plants are located outside the island's concentrated centers.

Seeing is believing

"There is no substitute for a visit to Puerto Rico to get a feel of those forces which have contributed to the island's economic, social and cultural success.

"For those looking for new outlets for their capital and for new plant locations, Puerto Rico is well worth a good, hard look."

Send for free fact file

Commonwealth of Puerto Rico
Economic Development Administration
Dept. NB-4, 1290 Ave. of the Americas
New York, N.Y. 10019

Tell me more about the investment climate of Puerto Rico. And why this U.S. island offers manufacturers a unique opportunity to make greater profits.

Please send me a free copy of your informative "Manufacturers' Ready Reference File."

The products I might be interested in manufacturing in Puerto Rico are:

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Title________________

Company________________

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City________________

State________ Zip________

You're in good company in Puerto Rico, U.S.A. BECKMAN INSTRUMENTS, INC. • BLOCK DRUG CO. • CARBORUNDUM CO. CHESEBROUGH-PONDS, INC. • CHEVRON CHEMICALS • CONAGRA, INC. • EMERSON ELECTRIC CO. • FIRESTONE TIRE & RUBBER CO. • GTE SYLVANIA, INC. GILLETTE CO. • INTERNATIONAL PAPER CO. • JANTZEN, INC. • MOTOROLA, INC. • PFIZER, INC. • UNION CARBIDE CORP. • WARNACO INC.

sumed in the United States, the association says.

Iowa lost 19,000 manufacturing jobs last year, partly because of inability to obtain enough natural gas, according to Gov. Robert Ray. Companies that would have come to Iowa, the governor says, went elsewhere instead.

Some businesses, like glassmaking and textile finishing, have virtually no other choice than natural gas. No other fuel lends itself readily to their manufacturing processes.

Keeping it at home

Federal price ceilings on gas sent interstate and a growing shortage of gas are leading the states rich in this resource to keep more of it home for themselves. An important motive is to attract industry and create jobs.

In March, 1975, the Texas legislature unanimously passed a law to curb interstate sale of Texas natural gas. The legislature decreed that none of the natural gas produced on state-owned land should be shipped elsewhere until all the needs of Texans for natural gas are satisfied.

Louisiana now has a similar law on the books.

New Mexico's Legislative Energy Committee has urged the state to do likewise. New Mexico now sells outstate about 80 percent of the natural gas produced inside its borders.

Oklahoma has no such legislation planned.

Gov. David Boren, however, wants federal price controls lifted off Oklahoma gas shipped through interstate pipelines for sale in other states.

Why, he asks, should other Americans be allowed to buy Oklahoma gas for less than Oklahomans pay for it themselves?

Cheaper elsewhere

Oklahoma gas now is much cheaper in, say, Trenton, N. J., than in Tulsa. Other states pay a ceiling price set by the Federal Power Commission on gas shipped across state lines. Until recently, that price was 52 cents per thousand cubic feet. Now, it may be sold as high as $1.42.

Most Oklahomans pay the market price, set by supply and demand, for gas produced and sold within the state. That price, FPC says, runs from about $1.50 to $2 per thousand cubic feet.

In New England, there is some support for the stand of Oklahoma's Gov. Boren.

Price controls on natural gas may actually hurt industries in the Northeast. A New England dilemma is described by Robert W. Eisenmenger, senior vice president and director of research of the Federal Reserve Bank of Boston.

"The crux of New England's competitive problem is that most manufacturing energy in the region is supplied by oil, while in the rest of the country natural gas is used," Mr. Eisenmenger says.

Since the Arab oil embargo, the price of oil has gone through the roof, while the price of gas has remained relatively low.

"Price ceilings established by the FPC have had an effect similar to the Arab oil embargo on areas without their own supplies of natural gas," Mr. Eisenmenger says. "Newly discovered natural gas is increasingly being made available only in the South and Southwest.

"In the long run, the effect of current policy will be to force many manufacturers to locate in these gas-producing states."

Deregulation urged

The New England banker says that "the most direct way to equalize the cost of energy for manufacturing between New England and the rest of the United States would be a phased deregulation of natural gas prices."

What about the rest of the United States?

Mr. Eisenmenger says lifting controls would help industry everywhere, since higher prices would lead to more exploration and discovery of natural gas.

Others disagree. Higher prices will simply increase costs to consumers and have little impact on increasing the nation's supply of this fuel, they say.

And State Sen. William Moore of Texas has an alternative suggestion for New England. "Those Yankees ought to drill off their shores instead of making us do it all down here," he says. □

It's still a jungle out there . . . and business as usual is no way to run a business.

How to protect yourself against the danger of climbing sales.

Remember . . . a sale isn't a sale until you get paid.

When good times start to roll, and opportunities pop up all around, sales and production often take such commanding effort that getting paid may tend to be regarded as more or less routine.

And yet statistics prove otherwise—many a company has taken a real beating on uncollectible receivables. Even in the best of times. And present times, while better, aren't best.

Doing business without bad debt insurance is a lot like being without fire insurance.

Data from the Insurance Information Institute shows just how vulnerable business is to accounts receivable losses. You wouldn't think of doing business without fire insurance protection. And liabilities of business failures exceeded fire losses in 1975! Doesn't it make sense to protect yourself against another form of loss—one that could set you back, or even wipe you out, as surely as a fire?

The dangers are real. Don't ignore them.

You should be especially wary if your sales fit one of the following high-risk expansion areas:

1. If sales are concentrated among a handful of large accounts, the inability of only one to pay could be fatal to your firm.

2. If the bulk of your sales are concentrated in just one or two seasons a year, something unexpected like a sudden shift in buying trends, a change in the weather, or other unpleasant surprises could ruin you.

3. If your sales are concentrated in a particular geographic area or a specific industry, beware—as a major supplier, your sales could drop drastically if changing economics suddenly dump this specialized business area into deep decline.

4. If you tailor products to customer order, your risk is both earlier and greater.

How to expand sales without risking serious credit losses.

You've learned ways to cope with various dangers to your business. Bad debt insurance is another way to protect your receivables against catastrophic losses in good times or bad. In bad times for obvious reasons. In good times because it lets you aggressively build your business with confidence.

The cost . . . only a small fraction of 1% of sales.

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This low-cost protection does other good things for you, too.

Our program to help speed up slow pays can benefit your cash flow.

And if you're planning to borrow, your bank is always happy to see receivables with a guaranteed value!

Talk to us . . . we've been writing bad debt insurance since 1893.

We know our business. And we know how our product can help your business. So let's get together. The years have taught us a lot about bad debts. And how to avoid them. Mail the coupon and we'll be glad to tell you.

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a financial service of CONTROL DATA CORPORATION

By VERNON LOUVIERE
Senior Editor

Speaking Up for the Free Enterprise System

BANKER GEORGE M. CLARK of Chattanooga has found there is profit to be made in selling the American profit system.

What started out as a simple advertising program to give basic facts about the private enterprise system to Chattanooga newspaper readers has become a "marketing bonanza," according to Mr. Clark, chairman of Pioneer Bank.

The program consisted of a series of advertisements with captions such as:

"U. S. Industry Now Invests $37,-929 (per Employee) to Create a Job."

"Last Year the Average U. S. Industry Earned 3.9 Percent Profit."

"Retailers Earn Only 1.3 Percent Profit."

Mr. Clark says he expected the business community to be "mildly appreciative" of his role in promoting the American economic system. "But," he adds, "we were not smart enough to anticipate the exciting response on their part."

A number of businessmen and others switched their accounts to Pioneer. These included accounts in the high tens of thousands of dollars and some in excess of a hundred thousand dollars.

Also, accounts were opened at Pioneer by people who continued to have accounts at other banks.

Letters and phone calls to the bank revealed that the advertising campaign reached the young as well as businessmen. Mr. Clark explains:

"The thirsty acceptance of economic truth by young people was amazing. Youth is brave enough to embrace economic truth and discard myths and delusions."

Although the advertisements cost him several thousand dollars to produce, he is offering them free to any bank or business in the country that may want to run them. The name Pioneer has been removed from the ads so that other firms may insert their own name. Copies are available by writing to the Greater Chattanooga Area Chamber of Commerce, 819 Broad St., Chattanooga, Tenn. 37402.

One mention of the Pioneer program in a nationally syndicated newspaper column brought inquiries from 80 firms around the country. So far, more than 250 businesses have asked for information on duplicating the campaign. One inquiry came from an American firm in Belgium. Even Treasury Secretary William E. Simon asked for copies of the ads.

R. A. Paysor, a vice president of the Chromalloy American Corp., St. Louis, wrote that he would ask Chromalloy subsidiary companies to duplicate the Pioneer ads in all 50 states where they operate.

More and more companies, notably the giant corporations, are speaking out in this fashion.

The Advertising Council, a nonprofit organization to which firms in communications and businesses in other fields contribute skills, recently announced a campaign to improve economic understanding. A key element in the campaign is a 20-page booklet entitled "The American Economic System . . . and Your Part in It," prepared by the council and the Department of Commerce in cooperation with the Department of Labor. Individual copies will be offered free in public service advertising in newspapers, magazines, employee publications, transit and outdoor advertising, and on TV and radio.

Some recent national advertising shows how business is speaking out.

An advertisement by Phillips Petroleum Co. proclaims: "It's time American industry took a stand for free enterprise." The advertisement continues: "American industry can no longer afford to harbor its own silent majority. It's gone past the point when an isolated business has come under attack. The system itself is in danger. And if we don't stand up for it, who will?"

Mobil Oil Corp. has been running an advertising series called "Toward a Healthier Economic Climate." In one message addressed to the need for more private capital investment for plant and equipment, Mobil notes: "A business that can't make an adequate profit will sooner or later need fewer employees and maybe even none at all."

"Profits Are for People" is the heading on an advertising series sponsored by Allied Chemical Corp. On the subject of reinvesting profits in a business, it notes:

"If the needle on the economy's gas gauge keeps swinging toward the 'empty' mark, we can expect a drop in construction of new factories and modernization of older facilities. Unless business can realize a healthier margin of profits in the years ahead, we may all get out and walk." •

continued on page 82

The Greater Chattanooga Area Chamber of Commerce has presented its Arthur G. Vieth Memorial Award to Pioneer Bank for the bank's ads supporting private enterprise. From left: Pioneer Chairman George M. Clark, Grady E. Gant and Richard W. Cardin of the chamber, and Mrs. Arthur G. Vieth, widow of the man for whom the award is named.

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• **WATS LINE**—call your office and Conference Caller ties you into your WATS Line; slashes long-distance phone charges and time.

• **INCREASES SALES, PROFITS AND EFFICIENCY**—The key to success in today's business world is communications and the ability to make well-informed decisions quickly. SynchroCom's exciting new Conference Caller will help increase the sales, profits and efficiency of your entire organization. Its low one-time cost will pay for itself in the first week of a dynamic executive's career.

Your Conference Caller has even more exciting features than those outlined. You may even discover new ways to use it to supplement your own communication needs.

Designed and manufactured by engineers skilled in telephone electronics, the attractive SynchroCom Conference Caller is built of quality components that offer you clarity, balance of tone, and long service life.

FCC rulings allow use of this dynamic new product.

No more frustrations . . . No waiting for operators . . . No more getting cut off or disconnected. You can dial your own conference in seconds—and in complete privacy!

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Please rush me ________ SynchroCom Conference Callers at 3 for $109.50, 2 for $77.50, or 1 for $39.95, plus $2.00 shipping and handling for each unit. I understand that if I am not fully satisfied with the performance of this system, I may return it within 10 days for full refund or credit.

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☐ American Express Acct. ☐ Carte Blanche Acct.
☐ Diners Club Acct. ☐ Master Charge Acct. ☐ BankAmericard Acct.

Credit Card No. (Print ALL digits)

Mo. | Yr.
Card expires Signed________

☐ Mr.
☐ Mrs.
☐ Miss________

Address________ Apt. No.________

City________ State________ Zip________

N.Y. Residents please add sales tax.

Making a Profit From Tree Farms

Contrary to popular belief, most of America's commercial forests are not owned by government or by the big lumber and paper companies.

In fact, 59 percent of these forests are owned by private landowners. The federal and state governments own 28 percent, while the forest products industry is a distant third with 13 percent.

Many owners are turning once-idle forestlands into profit. In addition, the owners are improving the habitats of fish and game, as well as enhancing the scenic beauty of the countryside, by following the tree farm system of private timberland management. The system was started in 1941 by the Weyerhaeuser Co., Tacoma, Wash., and was later adopted by the American Forest Institute.

In the 1940's, few landowners thought of timber as a crop, and most of them believed that the woods took care of themselves. Today, that is no longer true. Thanks to the tree farm system, many landowners have learned that timber can be a good cash crop, with proper management.

Anyone who owns woods can have his land certified as a tree farm by following a few simple rules of sound forest care. Under the program now sponsored by the American Forest Institute, more than 32,000 individual tree farms have been certified. Some farms are no larger than ten acres. A few exceed one million acres.

To qualify for tree farm certification, woodland must be privately owned, managed for the growth and harvest of repeated forest crops, and adequately protected from fire, insects, diseases, and destructive grazing. Both government and industry, where possible, offer the services of their foresters at no cost to landowners seeking certification. Some wood-using companies help tree farmers with management planning and protection programs, as well as planting and harvesting.

The companies may even provide seedling trees at cost.

Here is an example of what even small landowners can accomplish under the program.

Wallace and Sylvia Fengler bought 264 acres of land near Scarborough, Maine, and had it certified as a tree farm. In three years, working side by side, they harvested 712 cords of wood and 258,000 board feet of wood products; planted two acres of wildlife shrubs; thinned, weeded, and pruned 18 acres of white pine; and established 23 acres of forest plantation, including white and red pine seedlings.

The Fenglers got help and professional advice from state foresters, cooperative loggers, and staff foresters from the S. D. Warren division of Scott Paper Co.

Landowners are cautioned that tree farming is not a get-rich-quick scheme, but they are assured that income from forestland can be doubled or tripled by adopting good forest management practices. •

Color His Company Green, Not Black

Henry F. Henderson, Jr., is a minority businessman, but few of his customers are aware of it.

His customers are a who's who of big business. To name a few, Firestone, General Electric, Du Pont, Nabisco, and General Motors. These corporations deal with him because of the quality of what he sells, not because of who he is. Mr. Henderson is black.

Henderson Industries, of West Caldwell, N. J., designs and builds precision systems and controls which automatically weigh and mix the ingredients that go into the manufacture of hundreds of products, ranging from milk chocolate to rubber tires.

Mr. Henderson, who calls himself "a sophisticated scale maker," started his business in the basement of his home 22 years ago.

The ingredients for some of his clients' products are so secret that Mr. Henderson is prohibited from discussing them. He holds several patents on equipment specially designed to deal with hard-to-handle substances.

Getting started in business was not easy. After receiving an associate degree in electrical machinery and power distribution from Alfred University, a branch of the State University of New York, Mr. Henderson got a job grinding propeller blades for an aircraft company. He sought unsuccessfully to transfer into electronics. Later, he was hired by the Richardson Scale Co., Clifton, N. J., where he learned the intricacies of electronics weighing.

During that period, when he worked nights, he launched and operated an electrical contracting company from his home by day. He won his first subcontracting job from the Richardson Scale Co.

Soon, the basement in his home was too small for his business, and he moved to rented quarters in a factory. A few years later, Henderson Industries moved into its own building. In 1969, on three acres of land, the company built a new plant in West Caldwell Industrial Park.

Henderson Industries has 35 employees, including 12 engineers. Only four blacks are on the payroll. They include Mr. Henderson, his wife, and his son, Ken.

Henderson Industries recorded about $3 million in sales last year.

"Nine tenths of our customers are not aware of the fact that we are a minority company," Mr. Henderson says.

"But we are not selling because we are black. We are selling because we do a better job." □

Randustrial®

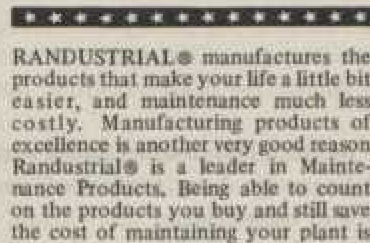
MAINTENANCE BULLETIN NO. 10

RANDUSTRIAL® manufactures the products that make your life a little bit easier, and maintenance much less costly. Manufacturing products of excellence is another very good reason Randustrial® is a leader in Maintenance Products. Being able to count on the products you buy and still save the cost of maintaining your plant is reason enough to "buy Randustrial®."

Whatever your plant manufactures, Randustrial® can help you maintain a well-run operation by keeping it in good repair, thus preventing tie-ups, work stoppages and accidents due to faulty maintenance.

ROOF REPAIR

Now, is the time to take a good look at your roof. No need to hire costly contractors and outside laborers. Shield-Tite® Roof Preserver is a simple roof spray system eliminating the time consuming brushing. You'll be amazed at the saving. *Free 64 Page Roofing and Maintenance Catalog.*



FLOOR PATCH

The 'labor-saving' floor patch is, certainly, Magic Floor®. It is ready mixed and requires no drying time. Magic Floor is easily applied by your own plant laborers, doing away with hiring skilled tradesmen. Magic Floor performs equally well as a complete resurfacer for traffic aisles subjected to the constant punishment by power trucking. *Free 2 gallon sample.*

ANCHORING COMPOUND

Anchoring industrial fixtures permanently to the floor has long been a problem. Bolt Anchor® Sulfaset is the answer. This ready-mixed, fast setting compound does the job, and well. Once the job is done production can resume in only thrity minutes. *Free 2 gallon sample.*

BLACKTOP SEALER

Squeege-Cote® is a highly refined coal tar pitch with plastic additives that prevent freezing damage by filling up and sealing minute cracks and pores in pavement. Squeege-Cote can be applied by brush, squeege or spray equipment. Randustrial® will loan you, free of charge, spray equipment valued at $2,630.00 for application of the material. After only two hours drying time, your asphalt pavements are smoothe, black and impervious to damage caused by expansion and contraction of freezing water trapped in the pores of worn blacktop surfaces. *Free sample.*

DRAIN CLEANER

Clearan® represents the latest development in sewer and drain cleaning chemicals. To prevent stoppages, which can impede production and run you into expensive repairs, you should apply our drain cleaner weekly. A small amount goes a long way. Clearan is supplied in a dry form and is inactive until used in water, offering the ultimate in speed and safety. A free-flowing sewage system is a must in plant maintenance. *Free sample.*

LATEX CAULK

Sealo® Acrylic Caulk is the highest grade caulking sealant for cracks and joints in all masonry. You will save labor costs and next winter excessive heating bills. Sealo Caulk is easy to use because it requires no mixing. It will skin over in one hour and cures to a rubber-like state in one week, remaining pliable, flexible and waterproof indefinitely. Plan ahead, order today while you have time. *Free sample.*

WET ROOF PATCH

Wet Surface Roof Repair Kits should be a part of your regular stock. Making repairs at the time leaks exist, during a rain storm, makes it easy to determine that patch has been properly made. Having this material always available makes it possible to do a permanent job at the right time. No need to repeat the job because you have patched the wrong hole or break. *Free 2 gallon sample.*

CHUCKHOLE PATCH

Patching chuckholes in concrete and blacktop roadways, parking lots and driveways, no matter what the weather conditions, can be easily handled by your own maintenance department. Rannite® Chuckhole Patch is always ready to use. No cement finishers or other skilled tradesmen are needed. *Free 2 gallon sample.*

SEND FREE SAMPLES OF:

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- ☐ Latex Caulk
- ☐ Anchoring Compound
- ☐ Wet Roof Patch
- ☐ Blacktop Sealer
- ☐ Chuckhole Patch
- ☐ Drain Cleaner
- ☐ Roofing and Maintenance Catalog

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State, Zip ____________

Phone ____________
(area code) (number)

Randustrial® Corporation

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13251 Union Avenue
Cleveland, Ohio 44120

By GROVER HEIMAN, Associate Editor

BUSINESS: A LOOK AHEAD

U. S. Banks Are Closer to Losing a Handicap

U. S. banks are closer to the day when they may be able to compete on even terms with foreign banks in this country.

The House of Representatives recently passed H. R. 13876, the International Banking Act of 1976. The bill places foreign banks under the same regulations as domestic U. S. banks. Among the areas the bill covers is branch banking.

Domestic banks now are prohibited from establishing branches outside the state in which their home office is located. Foreign banks have not been similarly restricted.

Under H. R. 13876, however, any new branches established by foreign banks would be restricted to a single state unless U. S. banks were allowed branches in more states than one. The bill is now in the Senate Banking Committee.

Under a grandfather clause in H. R. 13876, out-of-state branches already established by foreign banks could continue to operate.

Bill in Senate Proposes to Dismember Sprawling HEW

Senate Majority Whip Robert C. Byrd (D.-W. Va.) is proposing dismemberment of the sprawling Department of Health, Education, and Welfare into three separate departments.

Sen. Byrd says HEW, which has 130,000 employees, is cumbersome, inefficient, and unmanageable.

Over the past two decades, the number of cabinet level departments has increased from nine to 12, the number of major independent federal agencies from 27 to 41.

Despite that fact, Sen. Byrd believes making three departments out of HEW will promote more economical and efficient operation of health, education, and welfare programs.

What spurs him to bring about change, he says, are such foul-ups as underpayments and overpayments by the Social Security Administration and the decline in quality of education.

"I do not believe," he says, "that any one individual, regardless of his competence or intellect, can effectively grasp the necessary understanding of all of the programs presently administered by HEW, nor, concomitantly, can he provide the necessary guidance and maintain the necessary control of them."

GAO Urges OSHA Inspections of Federal Workplaces

The General Accounting Office has recommended that Congress amend the Occupational Safety and Health Act of 1970 to allow safety and health inspections of federal government workplaces.

The act presently puts sole responsibility on the head of each federal agency for compliance with the Occupational Safety and Health Administration's standards. At present, OSHA has no authority to take any action against federal agencies to ensure compliance with OSHA standards.

OSHA inspectors are now authorized to visit a federal agency only on invitation.

GAO suggests that federal agencies be subjected to inspections similar to those imposed on private businesses.

But no fines could be levied against federal agencies as they are against private firms.

GAO's recommendations followed an in-depth look at eight federal agencies: the Army, Navy, Air Force, Defense Supply Agency, Veterans Administration, and the Departments of Agriculture, Interior, and Labor.

GAO inspectors checked 30 field locations, selected at random, and noted some 14,000 violations of OSHA standards.

Employees of the eight agencies account for 50 percent of the work-related deaths of federal civilian employees and all work-related deaths of military personnel.

SBA-Guaranteed Loans Now Go to General Contractors

Small general contractors are getting a badly needed assist from the Small Business Administration, which in the past has excluded them from SBA loan programs.

SBA now authorizes guaranteed loans to small general contractors for new construction and for acquisition of existing buildings which are to be rehabilitated for the contractor's own use or for immediate resale after rehabilitation.

In the past, SBA policy prohibited financial aid for the construction, acquisition, improvement, or operation of real property held primarily for sale or investment.

There are caveats, however, in the newly relaxed SBA restrictions. SBA guarantees will be limited to business loans. The guarantees will not extend to other SBA programs, such as loans to development companies, handicapped assistance loans, economic opportunity loans, and economic injury loans.

This new SBA program requires the loan to be repaid within 18 months. None of the loan proceeds may be used to purchase the building site. Still in effect are the prohibitions against loans for holding or operating real property for investment purposes.

A Helping Hand to Energy Users

Farmers for decades have had extension agents they could call on for help. Now the day may not be far off when every American will have an extension agent—at least for help on energy problems.

This new extension agent will be a public employee, paid by the National Energy Extension Service, if a bill passed recently by the House becomes law.

The bill, H. R. 13676, is called the National Energy Extension Service Act of 1976. It is meant to bridge the gap between the developers of new technology, such as solar energy systems, and the final user—the homeowner, farmer, or small businessman.

Rep. Mike McCormack (D.-Wash.) says the new extension service would be used to help educate the public in energy conservation. The agency would be part of the Energy Research and Development Administration.

States would first be given the opportunity to run their own extension service with federal funds. ERDA would step in if the state declines to do so, or if the state program does not conform to ERDA guidelines.

Rep. McCormack says the new bill provides a way to avoid the creation of another large bureaucracy by using existing state and local agencies, university and college systems, and business and consumer organizations at the grass-roots level.

The National Energy Extension Service would be authorized to enter into agreements for the use of existing Agricultural Extension Service offices and staff to implement its own program.

More Productivity Is NLRB's Solution to Growing Case Load

A 30 percent increase in productivity, the National Labor Relations Board says, enabled the agency to keep from losing ground last year to a rising number of cases.

Last year, NLRB issued 1,673 decisions, more than in any other 12-month period in the 41-year history of the agency.

Workers and managements filed 50,000 cases with NLRB in 1975. Chairman Betty Southard Murphy expects the annual total to rise to 55,000 cases.

During the past year, Chairman Murphy initiated new management practices and formed a committee of labor lawyers to make a two-year study of how the board's procedures could be speeded up.

Also, NLRB plans to add some 100 nonlawyer professionals to its field staff this year.

While hoping for further gains in productivity, Chairman Murphy wants authority from Congress to delegate more final decisions to administrative law judges.

NLRB is authorized to have 102 of these judges and has 87 on duty. The judges, too, disposed of more cases last year than in any previous 12-month period.

Agricultural Research May Be Stepped Up by New Bill

Agricultural research, which accounted for 40 percent of federal research spending 35 years ago and now accounts for two percent, may be restored to some of its former importance.

One step in that direction is H. R. 11743, the National Agricultural Research Policy Act of 1976, which passed the House in late July and is now before the Senate Agriculture Committee.

The bill sets up a 22-member Agricultural Policy Advisory Board to advise the Secretary of Agriculture on research priorities. Under the bill, agricultural research spending would be stepped up, a new system of research grants established, and the Secretary of Agriculture given new authority to coordinate research activities.

The new research system would benefit other than land-grant institutions. In the past, research funds were earmarked solely for state land-grant schools. Under H. R. 11743, the Secretary of Agriculture would be authorized to make grants to all colleges and universities with demonstrated capacity for agricultural research. □

EDITORIAL

NAM Calls Off Plans to Merge With Chamber

MERGER discussions between the Chamber of Commerce of the United States and the National Association of Manufacturers have been called off.

The two organizations had announced last June that a joint task force had agreed in principle to a merger. Approval of the board of directors and then the members of each organization was required before a merger could in fact occur. The National Chamber board approved the proposed merger at its meeting in June.

Late last month, the NAM's board of directors decided it would be best if the two national business organizations remained independent.

At the same time, the NAM proposed establishment of a joint National Chamber-NAM council to coordinate action on common problems affecting the business community.

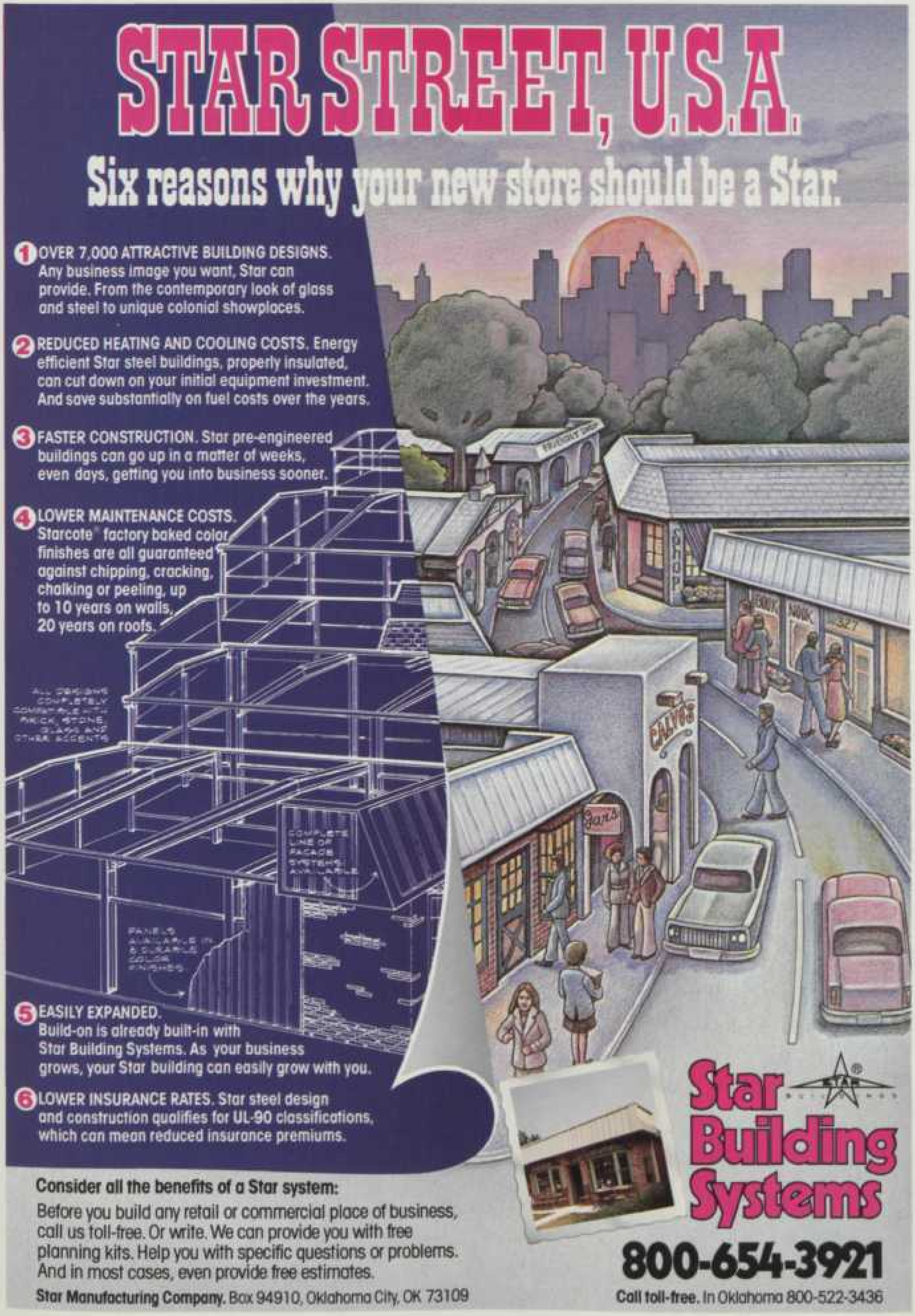
Herbert S. Richey, chairman of the board of the National Chamber, commented that "we will study with interest the NAM's suggestion for a joint council." He also expressed his personal hope "that there can someday be a merger between these two organizations."

He recalled that the National Chamber board had endorsed a merger unanimously. He added that he has every reason to believe that "a large number of our 62,000 members continue to believe that a merger would be beneficial."

Mr. Richey also said the extensive efforts that went into the merger talks were not wasted.

The talks, he said, "have been most valuable and should result in better working relationships between the two organizations."

Members of the business community can take comfort from the determination of the leaders of both organizations to continue vigorous efforts on behalf of the American economic system. □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The masterpiece of sportsmanship. The Rolls-Royce Corniche.

In a world of win or lose, few artists have triumphed over the machine. One of them is the master coachbuilder.

Once the pride of royalty, this craftsman of old is alive and well in the workshops of London that bear the name of Mulliner Park Ward. And one of his greatest achievements is the Rolls-Royce Corniche.

The Timeless Pleasure

The Rolls-Royce Corniche is shaped entirely by the master coachbuilder's hands. And you can select either a Convertible or a Coupé.

In either case, you'll find yourself at the beginning of a love affair that may never end, because La Corniche was born with the heart of a great driver and the soul of a great engineer.

The driver was Charles Stewart Rolls. The engineer was Frederick Henry Royce. And together, they had the passion and the patience to build a masterpiece by hand.

This explains why more than half of all the Rolls-Royce motor cars ever built are still humming along. This also explains why the pleasure of a Corniche is in your very fingertips.

You can feel it at the touch of the wheel, the English hide leather and the matching walnut veneers. And you can sense it in every curve of a serpentine road. For beneath her artistic exterior, the Corniche is a superb machine that obeys your every wish.

The Priceless Asset

In return for her considerable purchase price of $67,500,* a Corniche Convertible will remind you that she is the rarest of things.

A motor car that may very well be more valuable to own as the years roll quietly by.

A collection of new Rolls-Royce masterpieces is waiting at your nearest Authorized Rolls-Royce Dealership. For the address, simply call Rolls-Royce Motors Inc. at 201/265-8300.

*Suggested U.S. Retail Price, August 1, 1976.